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This Week You Need To Know

PARMALAT: — PRICKING THE BIG, BIG, BIG BUBBLE

by Lyndon H. LaRouche, Jr.

January 3, 2004

At this juncture, a word of caution is needed about what the possible, and probably rather immediate, global implications of the Parmalat blow-out might be. I deliver a specific warning, somewhat beyond the scope of the specific kind of assessments already circulating from among my own associates, and others, from around the world.

The signs are piling up virtually by the day, that the collapse of the Parmalat bubble may not be a relatively minor, Enron-style debacle, but a larger version of that type crisis, the Long Term Capital Management (a.k.a. LTC or LTCM) hedge fund, which already shook the foundations and rafters of the world monetary-financial system, during August-September 1998. That 1998 crisis already put the U.S. Federal Reserve System itself on the torture rack, during September 23-29 that year. The leading evidence today is, that what is happening now, as echoed by the explosive Parmalat case, is, most probably, the surfacing of a much greater, more deadly form of the same crisis which shook the foundations and rafters during 1998, a resurfacing of the same global crisis as LTCM, but now burst through to the surface on a much bigger scale, and far less controllable than 1998. There are strong, evidentiary reasons for following through with leading emphasis on an investigation along the lines of that highly probable hypothesis.

I explain the premises for that warning, explaining the situation as simply as the nature of the problem allows. Forgive me for any quips I may include in the course of this brief report; but, neither I, nor you, must lose our sense of humor in reporting what I have to say here and now. In crises such as these, an active sense of humor, with more than slightly Rabelaisian touches, is as prerequisite for maintaining cool-headed analytical precision in judgment, especially in times of the relatively worst crises.

Do not concentrate on the smaller part of the present scandal, the financial interior of the Parmalat entity itself. Parmalat is only a point of reference for a vastly greater problem, located in the world's now gigantic financial derivatives bubble itself. The point had come, with the continued, recent fall of the Bush Administration's U.S. dollar on the gold and Euro markets, that the pin would prick the world-wide dollar bubble at some point. The pin chose to prick Parmalat. This prick could be just the proverbial "horseshoe nail" for which the kingdom was lost, the present form of the IMF kingdom.

The evidence in support of that estimate is large enough in itself, that we must take the precautionary posture of assuming that that might be the case for the very near future. The evidence pointing toward such short-term outcomes is so strong, and accumulating at such a rate, that it would be reckless not to look closely at the mounting evidence, of a systemic nature, tending to demand such a working investigatory assumption as a guide for action.

As has often been the case in the terminal of comparable bubbles of modern European history's past, such as the John Law

and South Sea Island bubbles of the Eighteenth Century, Ponzi Schemes, the 1949 "Pyramid Club" swindle, or the June-November end-phase of the 1923 Germany Reichsmark bubble. the Parmalat case happened to erupt as it has, at the point at which the sudden phase-shift happened, the prick of the over-inflated balloon. It was a collapse already more than overripe to have happened. The possibility that this is an isolated, or isolable case, is absolutely zero; whatever it is not, the Parmalat case is in itself a systemic crisis of the global monetary-financial structure.

Therefore, firstly, the case of the Parmalat entity itself is apparently only a part of a larger bubble than an uncounted vast amount of what are, combined as often smaller, but similar, and interconnected, credit-derivative and credit-derivative-like cases. Since the financial derivatives swindle of any one large financial operation of this type, presently overlaps and interacts, systemically, with a vast, international epidemic of such behavior built up within the financial derivatives sector since the October 1987 Wall Street crash, the Parmalat "Ponzi Scheme" can not be treated as an isolated type of case.

Secondly, therefore, relative to the danger which the unwinding of the Parmalat case might unleash on a world scale, the size of the U.S. dollar-centered Parmalat scandal, as measured only on the basis of its own accounting records, is a relatively minor part of the problem. On the latter account, the serious question is, how big, how complex is the spread of the cancerous-like financial balloon of fraud, of which Parmalat itself is only part, but which the Parmalat failure could bring down as the detonator of a financial chain-reaction. This poses the question, whether it were possible, that some of the international bankers behind the build-up of the Parmalat derivatives bubble, perhaps someone of a rank comparable to Citicorp's Sandy Weill, decided he had wearied of keeping his finger in the dike.

The Parmalat case goes hand-in-hand with that spiralling collapse of the U.S. Bush Dollar since the Euro began its movement from its relatively low price of about \$0.83-84, to \$1.25-plus and rising today. This trend, which has been driven, to a large degree by current Bush Administration policies, has pushed the U.S. economy into an approximation of virtual hyperinflation at home, and comparable deflation of the value of the U.S. economy on the world market. Admittedly. President Bush did not create the bubble, but, witting or not, his blunders did about as much as might be possible to inflate the bubble to its present proportions.

Obviously, the proper characterization of today's runaway Parmalat crisis, is that it is no longer primarily a crisis of a virtually, financially brain-dead Parmalat entity as such; it has exploded into being actively a leading reflection and part of a systemic world crisis of the U.S. dollar.

The question which any U.S. President, even a slightly intelligent one, would have been saying to his advisers: "Cut the double-talk, tell me what the dollar is really worth, compared to the American citizen's average buying power, in the physical goods component of a household market-basket, back in 1972?"

At that turn in the conversation, some panicked idiot, probably a Ph.D. spin-doctor from Harvard University, a virtual Professor Rumpelstiltskin, would be tearing himself apart, in a screaming fit of denial, as a way of trying to drown out attention to the President's words. Amid the screaming denial, that the soaring Euro reflects a runaway inflation of the dollar, that professor would be repeatedly working in the phrase, "hedonic values."

Simply, the fictitious security for the value of the mass of debt in the international U.S. dollar-system, is largely composed of highly inflated financial valuations of things including stock-market prices, bloated mortgage values associated with the Fannie Mae mortgage-based securities bubble, and the like. For example, a collapse in the Fannie Mae-centered part of the bubble, would threaten to set off a chain-reaction collapse in the value of the mortgages used to prop up the bubble, which would pull the rug from under that and related paper being counted as financial assets within the system generally. In other words, some approximation of the kind of financial chain-reaction collapse when a bubble pops.

How should the Presidency of the U.S. prepare itself, immediately, now, to react to the threatened short-term

consequences, such as those, which are now threatening to be triggered, in the very near term, by the collapse of the Parmalat bubble itself?

What Next?

To understand the deeper implications of that set of observations, we must examine the systemically fraudulent character of current Federal Reserve and related policies. We must look at the problem on three levels.

First, we must consider the emergency measures needed to put the Parmalat entity as a unified whole into receivership for which the government of Italy must be supported, should it choose to take that course of action more or less immediately. If Parmalat is chopped into pieces in a bankers-style, financial-bankruptcy butcher-shop, selling-off chunks in settlements, the global systemic implications of the Parmalat case could not be efficiently controlled. The sickness has been caused by the evolution of the private financial system's overreaching control, and suppression of the functions of defense of national interest which can be conducted only by sovereign powers of nation-states' governments. The present state of practice of the private international financial system, is the disease, of which Parmalat's collapse is a product and symptom. Do not send more of the disease as treatment for the sick patient, unless you really wish to bring on a global, mass-murderous, financial-economic chain-reaction catastrophe beyond the imagination of virtually any among you.

We must freeze the financial side of the bankruptcy now, keeping the firm itself intact as an integrated asset to be placed in the receivership of the assigned government agency to preserve the entity's optimal value, by maintaining the functioning integrity of the essential assets, for the benefit of the public interest.

Second, although many governments are themselves in a condition of near- or active bankruptcy, the source of the present crisis is not the institution of the nation-state, but the privately controlled institutions of the deregulated, post-1971-72 world monetary-financial system. Under an international crisis such as the present one, any effort to define, or deal with the crisis from an essentially monetary-financial standpoint, will assuredly lead to a worsening of the global catastrophe now fully under way. We must look at the causes and remedies for the crisis from the primary standpoint of physical-economic, rather than monetary- financial statistics. Only a general reform of the present world monetary-system could prevent a careening, out of control, general collapse of that system as a whole.

Thirdly, while short-term emergency measures are being crafted and deployed, to bring the present financial fire-storm of the sinking U.S. dollar under control, we must craft a new international monetary-financial system, returning from the doomed, deregulated, floating-exchange-rate system, to a fixed-exchange-rate system, buttressed by regulatory measures, supported by a set of nested long-term treaty agreements whose aggregate maturities will lie between one and two generations, between twenty-five and fifty years.

For example. Objectively, the physical condition of the U.S. domestic economy is far worse today, than the state of affairs which Franklin Roosevelt inherited from the disastrous policies of Presidents Coolidge and Hoover. The rotted-out state of U.S. basic economic infrastructure is the simplest factual demonstration of that relative state of affairs. Europe is in a similar fix. Western Europe, especially the United Kingdom, is in a physical condition either approaching, or, as in the case of the U.K., already worse than that of the U.S. France, Germany, and Italy, among the larger western European economies which are virtually bankrupt at present levels of physical output, but have greater relative potential, given an expansion of high-tech export markets, than the U.S.A.

With a sweeping change in current U.S. policy, toward a fixed-exchange-rate system, and cooperation with long-term physical development of the Eurasian infrastructure, the collapse phase of the present world economic crisis could be halted through aid of concerted action by sovereign governments, and an accelerating rate of long-term net physical growth

set into motion.

In summary: We must think in terms of the indicated three steps to be taken, as emergency changes in the direction of policy-thinking and practice. First, recognize the virtual insanity of the current policies leading into what the Parmalat affair symptomizes. Second, we must commit ourselves to rebuild our shattered national economies on the basis of subordinating rule by finance, to rule by what amounts to physical-economic common-sense approaches to defense of the general welfare. Third, make immediate emergency reforms and follow-through reforms of the international monetary-financial system, which are intended to be honored in practice, for a period of not less than one to two generations yet to come.

Physical Economy

What tends to blind the public to the reality of the presently ongoing general collapse of the world's present financial-monetary system, is the kind of systematic lying of all leading monthly, quarterly, and annual reports on the subject of inflation, by the Government and Federal Reserve System of the U.S.A., and other relevant institutions, inside and outside the U.S.A. itself.

The principal means by which that intentional fraud by the Fed and U.S. government agencies have massively faked the figures on inflation, has been a swindle sometimes called "the Quality Adjustment" or "hedonic" factor. The most direct way of exposing the fact of the intentional fraud in those reports, is by comparing the costs of essential physical elements of a family household's consumption, including health-care, with the average income of each among assorted, middle and lower family-income brackets. In other words, take accounts such as food, cost of maintaining a place of residence, education, and so on, with the class of total income of the relevant class of income group. In other words, what is the quality of family consumption in 1966, or 1972, and what does the price, then, of that quality of consumption represent as a percentile of family income then, and now?

For example, what percentile of the annual income of the leading wage-earner of a family household must be allotted to the cost of maintaining possession and occupancy of a reasonable place of residence? Compare this figure for 1960, 1970, 1980, 1990, and today.

For example, look at the rise in cost of grocery-store food prices now, as compared to a point six months ago, a year ago, two years ago. Or, also go into an area in which a great mushroom, like Wal-Mart, has pushed local competitors out of existence. Compare the quality of what you could buy today in that community's stores, with what you could buy five or ten years ago.

These kinds of comparisons refer essentially to households' direct consumption of essential goods and services. They do not include medium- to long-term capital factors, such as the run-down condition, or closing of both essential employers' operations, or collapse of public and related investment in basic economic infrastructure, such as school systems, libraries, hospitals, systems of generation and distribution of power, and so on. Since approximately 1971, the U.S. has lost no less than \$4 trillions' worth (at today's prices) of essential basic infrastructure. Genghis Khan's hordes, disguised as entities such as the American Enterprise Institute, have come and raped, and looted the United States, all by the invitation of our government.

The citizen is largely to blame for allowing this to happen to us all. He or she either voted for the bums who allowed these swindles to continue over decades, or, they say, "Don't blame me. I never vote! Don't blame me for the accident my car caused; I didn't have my hands on the wheel at that time."

When will the citizen wake up? An interesting question, is it not?

Latest from LaRouche

Leading Arabic Weekly Covers LaRouche vs. Cheney

Al-Bayader, the leading Arabic political weekly magazine in East Jerusalem, published a lengthy article Dec. 20, detailing Lyndon LaRouche's continuing campaign to oust Vice President Dick Cheney and his gang of neo-conservatives.

Headlined "Daring Statements from U.S. Democratic Presidential Candidate Lyndon LaRouche: Dick Cheney's hand behind every crime, overthrowing Bush now means appointing Cheney as President," the article quotes from LaRouche's Oct. 22 webcast in Washington D.C., using many of LaRouche's quotes as sub-headlines: "The Palestinians are the victim. Every sane Jew realizes that the current Israeli policy will lead to its destruction"; "If I become President, I would tell Sharon: Listen, you'll not get a single dollar.... If you set the fire, don't complain about the flames."

The article tries to explain why LaRouche, and no one else, has targeted Cheney and not Bush.

It starts as follows: "Hearing all the noise aroused by U.S. President George Bush's behavior, which has become an example of stupidity around the world, the following question could seem a bit strange, but very necessary to be raised: Who is running the U.S., indeed? And, who is responsible for the growing hatred against the U.S.? Is the U.S. President suffering some mental sickness, or there is someone else running him?..."

"Democratic Presidential candidate for 2004 Lyndon LaRouche replies with details and facts on this question, and emphasizes that Vice President Cheney, who shies away from the limelight, is the one who is planning, running, and implementing the dirtiest operations run out of the United States. The President, according to LaRouche, is nothing more than a tool in the hands of Cheney and the Zionist gang around him, and that he is run by the dirtiest and most dangerous.

"That is first and foremost the single reason why LaRouche has declared, on every occasion, his opposition to impeaching Bush before his term is out. That is not because LaRouche loves Bush, but because of fear of what could come later. If Bush is impeached, you'll have the false copy being removed and the original coming in, in the form of Cheney becoming the President. This is going to be the greatest of all catastrophes which the world has so far seen from the Bush Administration."

The article then continues to describe what LaRouche has been saying about the Bush policy in the Middle East, Cheney's dirty role in that, and LaRouche's proposed solutions for the Middle East. The article references LaRouche's Oct. 22 webcast and various articles in *Executive Intelligence Review* (EIR), exposing Cheney and the neo-cons network.

Al-Bayader is the first Arabic political weekly magazine to be published since 1981 in "occupied Jerusalem." The website of the International Press Center of the Palestinian National Authority places it among "the most important sites." It is edited by a group of Christian and Muslim Palestinians.

Links to articles from *Executive Intelligence Review**

[*Requires Adobe Reader®.](#)

Investigation:

The 'Maritornes': A Tavern of Fascist Prostitutes

by Lyndon H. LaRouche, Jr.

The implications of the recent Maritornes incident¹ should impel us to refine and upgrade the indispensable practice of our association's counterintelligence functions, functions on which our continued existence as an association, and other important things, may depend in significant degree at this time.

- **'Maritornes' Synarchists Lash Out at LaRouche**

by Gretchen Small

U.S. Presidential candidate Lyndon LaRouche's August 2003 exposure of the international terrorist threat represented by the efforts of former Franco official Blas Piñar of Spain, and others, to revive a new fascist international, has drawn blood.

- **'Maritornes' Whorish Defense of Rancid Feudalism**

by Gretchen Small

Reprinted from EIR, Aug. 22, 2003.

In November 2001, key ideologues of the project to create a new fascist international between Europe and South America launched a new magazine as a vehicle to promote their project to reestablish the feudal empire of the Hapsburgs. The magazine, *Maritornes: Notebooks of Hispanidad*, is published in Argentina twice-yearly by the Nueva Hispanidad Publishing House.

- **Answer to Mrs. Small on The Whore Maritornes**

by Víctor Eduardo Ordóñez

This letter has been translated from Spanish by EIR.

December 10, 2003

"Mrs. Small has written a note in the publication of the Schiller Foundation [sic] regarding the magazine Maritornes, whose first issue I had the satisfaction and responsibility of composing, in large part, and directing..."

- **A Christmas Gift for Víctor Eduardo Ordóñez**

by Lyndon H. LaRouche, Jr.

December 25, 2003

"Ostensibly on December 10th of this year, during the time the the birth of Jesus Christ was soon to be celebrated, Don Víctor Eduardo Ordóñez of Argentina sent a message which was implicitly intended to be directed to my attention. Perhaps it was his way of demanding a gift, as school children in North America often write letters to Santa Claus at about that time of the year. Since this is Christmas Day, I shall honor this day's occasion by sending him the gift he deserves, this reply..."

Economics:

To Defend Argentina's 'Heart And Soul,' Go With LaRouche!

by Cynthia R. Rush

Argentina's already tense relations with the International Monetary Fund (IMF) exploded into a public brawl in December, captured in media headlines internationally. The Fund provoked the confrontation when it cancelled the three-month performance review of the agreement signed with Argentina last September.

International:

Sharon's 'Peace' Speech Raises Threat of War Against Syria

by Jeffrey Steinberg

On Dec. 18, 2003, Israeli Prime Minister Ariel Sharon delivered a major policy address at the annual Herzliya Conference of the Institute for Policy and Strategy, in which he announced that Israel would soon take unilateral action, permanently to annex a major portion of the West Bank.

Putin Echoes Economic Ideas of Rodina Bloc

by Rachel Douglas

The taxation of 'natural rent,' Russian economist and Rodina (Homeland) bloc leader Sergei Glazyev said in a Dec. 18 interview with Izvestia, 'has become a point in common, which practically all the parties support.'

Neo-Cons Ignore Korean War Lessons, Risk New One

by Kathy Wolfe

The Six-Power Talks on North Korea's nuclear program have been hanging fire for all of December, after extremist Vice President Dick Cheney intervened on Dec. 12 to reject a Chinese compromise plan for the talks, previously set for Dec. 17-18 among the United States, Russia, China, Japan, and the two Koreas.

Pakistan's Musharraf Is Caught Between a Rock and a Hard Place

by Ramtanu Maitra

At year's end, Pakistani President Pervez Musharraf survived two assassination attempts—a harbinger of more to come, as he attempts to straddle the irreconcilable contradictions imposed upon him by U.S. demands in the 'war on terrorism.'

Sharon's U.S. Friends Try To Rescue Him

by Dean Andromidas

As indictments for fraud and bribe-taking are expected to be leveled against him, the U.S. supporters of Israeli Prime Minister Ariel Sharon have come to save his neck. Harvard law professor and darling of the Anti-Defamation League, Alan Dershowitz, has been deployed personally to lead a desperate attempt to get Sharon off the hook.

National:

A Trail of Two Beasts

From the forthcoming LaRouche in 2004 campaign pamphlet, Children of Satan II: The Beast-Men.

Jeffrey Steinberg reports.

It is no secret among Washington insiders, that there are two people who constantly intimidate, and, occasionally, infuriate President George W. Bush: These are Israeli Prime Minister Ariel Sharon and Vice President Dick Cheney. Sharon and Cheney, while differing in personality, share the same 'Beast- man' temperament and tyrannical thirst for power.

Bad Omens for Cheney

by Edward Spannaus

In a development which is dramatically bad news for Dick Cheney, Attorney General John Ashcroft disqualified himself from any role in the Justice Department's investigation into the illegal disclosure of the identity of CIA undercover officer Valerie Plame.

An American 'Hollow Military'? Blame Cheney

by Carl Osgood

The idea that the Bush-Cheney ticket was going to rescue the U.S. military from the paucity of eight years of the Clinton- Gore Administration, became a rallying cry for conservative Republicans in the 2000 campaign, and even gained the ticket the endorsement of a group of retired generals. However, a quick review of the historical record shows that President Clinton largely continued a policy that had been set into motion by the administration that preceded his, a policy which Cheney himself played a key role in establishing and implementing.

Culture and History:

'THE BIG KNIFE'

Hollywood's Classical Drama!

Robert Beltran Revives Odets

by Harley Schlanger

Theater-goers in Los Angeles during November and December had the privilege of seeing a live demonstration of one of the leading principles emphasized in numerous recent discussions by Lyndon LaRouche: that of the power of an effective presentation of a Classically-composed tragedy, to move an audience. Well-known stage, screen, and television actor Robert Beltran produced an excellent presentation of Clifford Odets' 1948 drama, *The Big Knife* in which Odets provided a penetrating insight into the socially corrupting effects of the onset of 'Trumanism' in America.

- **The Classical Principle: LaRouche Remembers Odets**

- **Interview: Robert Beltran:**

Approaching Classical Tragedy in American Life

'The LaRouche Show' Internet audio broadcast for Dec. 20, 2003, featured a discussion with actor, director, and Lyndon LaRouche's collaborator Robert Beltran, after the end of the run of his production of Clifford Odets' *The Big Knife* in Los Angeles. The dialogue on 'Trumanism and Tragedy' was moderated by Harley Schlanger, Western states spokesman for LaRouche and his Presidential campaign; and included questions and discussion from LaRouche Youth Movement organizers Freddy Coronel and Vicky Overing—currently also students in Beltran's Classical drama workshop—and others listening by phone and Internet around the country.

U.S. Economic/Financial News

***L.A. Times* Calls Jobless Stats 'Artificially Rosy'**

A *Los Angeles Times* analysis Dec. 29 found that, since the bubble burst, many of the former dot.com high-flyers are not unemployed, but have been living hand-to-mouth as members of the growing ranks of the underemployed. They are one element in the *Times*' refutation, weakly echoing *EIR*'s analysis, of the "official" national jobless rate of 5.9%, as an "artificially rosy" picture of the labor market.

In addition to the 8.7 million officially unemployed (jobless who are actively looking for work), there are 4.9 million part-time workers who say they would rather be working full-time—the highest number in a decade, the article notes. In addition, about 1.5 million people who want a job, gave up looking for one in the last month; of these people who have been dropped from the labor force, nearly a third are officially classified as "discouraged"—up 20% from a year ago. Combined, this gives the jobless total for the U.S. of 9.7%. *EIR* has estimated there are 19.5 million unemployed, and an unemployment rate of 13%.

The official jobless number should have jumped after the stock-market bubble burst in April 2000, but didn't, the article says, because many of the 5 million people thrown out of work reported themselves as "out of the labor force," rather than unemployed. This category means a person is not working for even one hour per week.

Other signs of the destruction of the labor force: The number of those unemployed for more than 15 weeks has risen nearly 150% since 2000—to the highest level since the early 1990s; nearly 25% of the jobless have been unemployed for longer than six months.

Overall, the U.S. economy has degenerated into "a nation of burger flippers, temps and Wal-Mart clerks," the article notes, as manufacturing has collapsed. Companies continue to eliminate jobs faster than they create them.

Pittsburgh Declared 'Financially Distressed'

The state of Pennsylvania will appoint an economic recovery coordinator for the city within 30 days, and draft a recovery plan within four months. To be declared distressed, a city must meet at least one criterion under the 1987 Municipalities

Financial Recovery Act ("Act 47"); Pittsburgh meets three criteria, according to the Pennsylvania Department of Community and Economic Development. Despite layoffs and service cutbacks, the city's spending exceeded revenues for at least three years, it had a 5% deficit for two successive years, and it had at least a 1% deficit for three years.

"Act 47 is not a state takeover," Dennis Yablonsky, secretary of the department, said in a statement. Rather, the state will provide oversight, ensuring that residents receive vital services. The designation "is a decisive determination that this city simply cannot cut its way to solvency," Pittsburgh Mayor Tom Murphy declared in a statement.

Like other former industrial cities such as Buffalo, Pittsburgh's major steel mills have shut down, depriving it of a primary source of taxes.

Since Act 47 was enacted in 1987, more than a dozen communities in Pennsylvania have been declared "financially distressed."

World Economic News

SEC Sues Parmalat in 'Brazen Financial Fraud'

The U.S. Securities and Exchange Commission filed a civil suit against Parmalat, the Italian dairy and food giant recently declared insolvent, accusing it of selling more than \$1.5 billion worth of bonds and other securities while carrying out "one of the largest and most brazen corporate financial frauds in history."

Executives peddled the company's bonds, and even tried to sell the firm, based on financial statements that were admitted to inflate company assets, the SEC charged. During 1998-2002, top Parmalat officials actively promoted the bonds in the U.S. through "numerous road shows," and at meetings for U.S. investors in Italy. Plus, in 1996 it sponsored a private offering of its American stock, held on deposit at Citibank.

During this past autumn, according to the complaint, Parmalat fraudulently offered \$100 million of unsecured notes to U.S. investors, as its financial statements claimed cash holdings in an offshore subsidiary and the buy-back of \$3.6 billion of corporate debt. The complaint said that, in fact, the cash did not exist and the debt was still outstanding.

Moreover, Parmalat executives met in December with executives of a New York-based private equity firm to discuss a possible leveraged buyout. During the meeting, Parmalat admitted its audited balance sheet was false, that it did not have large amounts of cash, and had not repurchased \$3.6 billion of outstanding bonds.

Note that one-fourth of Parmalat sales come from U.S. operations, which include 20 food plants and dairies. They own five dairies in the New York area, and are the biggest milk supplier for metro New York City. They are also the third-largest cookie-maker in the U.S. (Archway and Mother's brands).

Parmalat Probe Turns to Auditors, U.S. Banks

On Dec. 31, Parmalat prosecutors arrested nine persons, among which were two managers of the Italian offices of Grant Thornton, one of the auditors which certified Parmalat's balance sheets. At the same time, they let it be known that investigations now involve also the role of Bank of America in setting up Parmalat's fraudulent "accounting structure." These moves are partially based on the interrogation of Parmalat's former financial manager, Fausto Tonna, who is among the people arrested. Tonna declared that Parmalat president Calisto Tanzi, as well as the auditors, all knew about Parmalat

fraudulent accounting procedures.

Gruesome Details Emerge in Italian 'Enron' Scandal

The gruesome details of the massive Parmalat fraud, now termed the "Italian Enron" affair, are emerging, as seven more executives were arrested Dec. 31. Two financial officers and two outside auditors from Grant Thornton were among the seven, while a warrant was issued for the head of its Venezuela operation, Giovanni Bonici. Court documents claim that Fausto Tonna, Calisto Tanzi's right-hand man, and Gian Paolo Zini, an outside attorney, were central to systematically forging documents, four times a year, preparing the false books, and destroying evidence when they were caught.

Accounting giant Grant Thornton claimed last week that it was a victim of the forgeries, but Parmalat accountant Gianfranco Bocchi, also arrested Dec. 31, said in the documents that, "They were the ones who showed Tonna and me what to do." Also, when the Italian nine-year limit on the use of a single accounting firm ran out in 1999, Parmalat set up a new Cayman Islands subsidiary, Bonlat—which hired Grant Thornton—and switched the phoney operations to the new entity. Grant Thornton Italian chairman Lorenzo Penca and his partner were among those arrested.

Tanzi told prosecutors that the falsifications began with the collapse of the Argentine and Brazilian currencies, which wiped out their earnings there. Prosecutors say the fraud goes further back, as much as 15 years.

Tremonti: Parmalat Threatens 'Risk of General Insolvency'

Italian Finance Minister Giulio Tremonti warned the government there is "the risk of general corporate insolvency," if Parmalat's bankruptcy sparks a run on corporate bonds, *Corriere della Sera* reported Dec. 24. Speaking to a government session on Dec. 23, Tremonti reportedly told his colleagues: "Do you have an idea of what would happen if the market demands liquidation of money invested in corporate bonds? Therefore, we must quickly review current legislation protecting investors." About 100,000 Italian investors (families) are hit by the Parmalat insolvency. Tremonti called it a virus that can infect the whole system.

Prime Minister Silvio Berlusconi reported receiving phone calls "from business friends who expressed their fears. They financed themselves through bonds, but after what happened, they are afraid that investors will not renew them." Berlusconi also referred to a more general crisis, saying that "U.S. pension funds are in a lot of troubles."

Russians Dump Dollar for Euro

The Central Bank of Russia announced that cash exchanges during October 2003 reached a level not seen since the 1998 crisis: Russian citizens exchanged over \$5.5 billion of foreign currency, *Vedomosti* reported Dec. 15. In October, the amount of foreign currency taken from individual accounts in banks, increased by 13% as compared with September. The supply of cash on the market was higher than ever in the last decade. Central Bank specialists and corporate analysts, explain this unprecedented exchange activity by the collapse of the U.S. dollar and the increase of the euro.

"The decline of the ruble-dollar exchange rate in September, combined with the rise of the euro, greatly increased the interest in the euro among Russian individual depositors," reported the Central Bank in its monthly review of the currency market. "The demand for euro increased by 42% in October. The structure of currency demand has abruptly changed in favor of the euro, while the demand for the U.S. dollar fell by 11%."

Housing Bubble Accounts for Half of Britain, Inc.

Britain, Inc. is worth almost 5 trillion pounds, but over half of that is the housing bubble. The British Office for National Statistics has determined that Britain overall is worth 4,983 trillion pounds, but 55% of that—2.7 trillion pounds—is the "value" of British homes. The second biggest chunk, 565 billion pounds, is the value of commercial and public property, adding to the scale of the real-estate bubble.

Just 10 years ago, in 1994, residential property was worth 1.2 trillion pounds, and Britain's net worth was 2.8 trillion pounds.

Martin Weale, of the National Institute of Economic and Social Research, warned of the consequences. "Sharp increases in house prices crowd out productive investment. The country as a whole cannot become better off by pushing up house prices, whereas it can by building roads and factories," Weale said. Sharply rising house prices mean new generations will not be able to afford houses, he said. "In a sense, it's paying for the present by robbing the future."

The British government is also deeply in debt, with a net worth of *minus* 124 billion pounds. Until 1980, Weale said, "the government owned quite a lot of what were then nationalised industries and had positive net worth. Since then, it's been selling them off and borrowing money."

United States News Digest

Ex-Centcom Chief Zinni Blasts Iraq War 'Dilettantes'

General Anthony C. Zinni denounced the incompetence and failure of the neo-con operations in pre- and post-invasion Iraq, in a Dec. 23 interview with the *Washington Post's* Thomas Ricks, which held little back.

On the current state of affairs in Iraq, Zinni said, "I believe the only way it will work now is for the Iraqis themselves to somehow take charge and turn things around. Our policy, strategy, tactics, etc., are still screwed up." Zinni said that he had prepared a plan in 1999, following the 1998 bombing raids on Iraq under his direction, on how to occupy Iraq, if need be. Called "Desert Crossing," the document called for a nationwide civilian occupation authority, with offices in each of Iraq's 18 provinces. That plan contrasts sharply, he noted, with the reality of the Coalition Provisional Authority (CPA) today.

He said: "In my time at Centcom, I watched the intelligence, and never—not once—did it say, 'He has WMD.' " Although he retired, Zinni remained current on the intelligence through his consulting with the CIA and the military. "I did consulting work for the agency, right up to the beginning of the war. I never saw anything. I'd say to analysts, 'Where's the threat?' " Their response, he recalls, was, "silence."

On Powell, Zinni says, "he's trying to be a good soldier, and I respect him for that." But on the neo-cons: "The more I saw, the more I thought that this was the product of the neo-cons who didn't understand the region and were going to create havoc there. These were dilettantes from Washington think tanks who never had an idea that worked on the ground."

He compared the Iraq war to Vietnam: "It feels the same. I hear the same things—about [Administration charges about] not telling the good news, about cooking up a rationale for getting into the war.... I think the American people were conned into this. The Gulf of Tonkin and the case for WMD and terrorism is synonymous in my mind."

"Somehow, the neo-cons captured the President, they captured the Vice President," Zinni said, adding: "What I don't understand is that the bill of goods the neo-cons sold him has been proven false, yet heads haven't rolled. Where is the accountability? I think some fairly senior people at the Pentagon ought to go." Who? "That's up to the president."

Zinni adds that he has heard no negative response from "the uniformed guys" for his outspoken criticism.

Wal-Mart: 'The Road to Serfdom Runs Through Bentonville'

As part of a year-end survey of their "The Years Ahead" feature, the Dec. 28 *New York Times* ran a piece entitled "Questioning the Age of Wal-Mart." It says that 2003 was the year that the "Wal-Martization of the economy" became an issue, noting the many lawsuits and the Federal investigation into the use of illegal contract labor. Citing the views of unnamed critics of Wal-Mart, the article states: "Friedrich von Hayek, they suggest, needs to be updated, and today his 'road to serfdom' runs through Bentonville, Ark., Wal-Mart's home town."

A *Chicago Sun-Times* column by William O'Rourke, calls Wal-Mart "the Grinch who stole Christmas," for its taking money out of consumers' pockets by driving small businesses out of existence, and by setting the prevailing wage as low as it can go.

Conyers Demands Ashcroft Recusal in Texas Redistricting

Columnist Robert Novak reported on Dec. 28, that Rep. John Conyers (D-Mich) has asked Attorney General John Ashcroft to recuse himself in the Texas redistricting case. In a letter sent on Dec. 23, Conyers demanded as well that other Bush-appointed officials also withdraw from the case, and stated that refusal to do so "has placed both the reputation of the Justice Department and the Voting Rights Act in jeopardy."

Novak complains that Conyers' accusation "is based on Democratic claims that the Republican-drafted Texas redistricting packs minorities into as few Congressional districts as possible. It follows continuing Democratic complaints of racism behind the 2000 Florida vote controversy."

Toledo Blade Opens New Bloody Ground on Vietnam Atrocities

The *New York Times* reported on Dec. 28 on the *Toledo Blade* expose series that has run from October through December, on "Tiger Force"—a 101st Airborne elite unit that swept through Vietnam's Central Highlands for seven months in 1967, assigned to implement the "free-fire-zone" policy, forcing villagers into strategic hamlets, and destroying villages and villagers who refused.

Such stories are not new, but several of the sources for this story have only recently stepped forward. They report on blowing up families in underground bunkers, shooting villagers at work in their rice fields, torture, ears removed as souvenirs, gold teeth removed from victims, and more. One of the sources for the *Blade* series told the *Times*: "The story that I'm not sure is getting out, is that while they're saying this was a ruthless band ravaging the countryside, we were under orders to do it." Another said: "I'm talking about the guys with the eagles [full colonels]. It was always about the body count. They were saying, 'You guys have the green light to do what's right.' "

The Army says there are no plans to reopen the cases.

Rehnquist Slams Ashcroft Blacklisting of Judges

Chief Justice William Rehnquist criticized Congress in unusually harsh terms for requiring Federal prosecutors to report to the U.S. Attorney General, the names of judges who give out sentences lower than Congressionally mandated guidelines; the Attorney General is then to make a report to Congress on the offending judges.

In his annual year-end report, Rehnquist said that the so-called Feeney Amendment "could appear to be an unwarranted and ill-considered effort to intimidate individual judges in the performance of their judicial duties." The Chief Justice stated that, "it seems the traditional interchange between the Congress and the judiciary broke down, when Congress enacted what is known as the PROTECT Act, making some rather dramatic changes to laws governing the Federal sentencing process." Rehnquist pointed out that it "was enacted without any consideration of the views of the judiciary."

Senator Edward Kennedy (D-Mass) called Rehnquist's criticism "extraordinary," and said that he agrees that the Feeney Amendment is undermining the independence of judges by creating "blacklists based on the sentencing practices of individual judges."

Kennedy and Sen. Patrick Leahy (D-Vt) have introduced legislation to repeal the Feeney Amendment.

New Panel Appointed for Military Commissions

A number of appointments were made, on Dec. 30, in the name of Defense Secretary Donald Rumsfeld, which indicate that the Bush Administration has been forced to make significant concessions regarding the use of military tribunals ("commissions") to try suspected terrorists.

The Pentagon announced the appointment of retired Army Maj. Gen. John Altenburg as "appointing authority," replacing Deputy Defense Secretary Paul Wolfowitz, to oversee the military commissions and trials. Altenburg was the Assistant Judge Advocate General for the U.S. Army, and is highly respected in military/legal circles, and is on the record opposing the "Bush Doctrine" of preemptive war. Also appointed were four members, all civilians, of a Military Commission Review Panel to hear appeals. The panel cannot reverse a "not guilty" finding, but can reverse a "guilty" verdict. There was no provision for appealing a verdict in the original Military Order issued by President Bush in November 2001, except for an "appeal" directly to the Secretary of Defense, or to the President. The creation of a review panel, and now, the appointment of civilians to it, was a response to widespread criticisms of the original plan, according to a Dec. 30 DOD background briefing. The review panel so far includes former Attorney General Griffin Bell from the Carter Administration, former Republican Transportation Secretary William Coleman (reported to be very close to Colin Powell), and two state court judges.

There are still major civil rights concerns, including significant restrictions on defense lawyers.

Detroit 'Terror' Convictions May Be Thrown Out

Chaos continues in the Justice Department's prosecution of what it called an al-Qaeda terrorist "sleeper cell" in Detroit, with the judge now considering throwing out the convictions in the case, and starting over.

This is the case in which Attorney General John Ashcroft was rebuked by the judge for violating the court's gag rule, by making prohibited public statements.

At issue now are two significant pieces of evidence withheld by prosecutors: (1) a December 2001 letter from a drug dealer, who said that the government's chief witness had told him "how he lied to the FBI, how he fooled the Secret Service agent on the case"; and (2) an FBI interview with a former roommate of two of the defendants, who said they never talked about religion, were lazy, and often drank and smoked—behavior not in keeping with the prosecutions' description of the defendants as devout Muslims.

Defense lawyers had said all along that the government's case was based on fear, not facts; and now are asking if there is not still more evidence that the government has withheld.

'Muslim Spy' Cases at Guantanamo Were Hyped

As of Dec. 21, the U.S. Air Force has now dropped the most serious charges against a Syrian-born Arabic translator, Ahmad al-Halabi, relating to his service at the Guantanamo prison camp. The dropped charges include "aiding the enemy," which carried the death penalty. Halabi's lawyer said that, with the dropping of those charges, "the gut of the case was gone." He is still charged with some lesser espionage counts, mishandling classified information, and lying on a credit application.

In September, a series of arrests of Arabs and Muslims working at the Guantanamo detention center triggered a wave of hysteria, targetting Syria and Islamic training programs for Muslim chaplains, and, more generally, spreading suspicion of all Muslims serving in the U.S. military.

Now, the cases against those arrested are falling apart. In the case of Muslim chaplain James Yee, espionage charges were recently dropped, and instead Yee is now being charged with mishandling classified information, and adultery (a chargeable offense under military law).

Halabi's lawyer said that in both the Yee and Halabi cases, they had documents with them that were not stamped with a security classification, but which were considered classified by investigating officers. After Halabi's arrest, "They went literally berserk with the classification stamp," the lawyer said. "They classified anything and everything" that Halabi had. One document, stamped "SECRET NOFORN," meaning it is so secret that it cannot be shown to any foreigners, was a photograph of Halabi's fiancée, who lives in Syria.

PFIAB: White House Ignored Warnings on Niger Yellowcake Fraud

According to a leak in the *Washington Post* of Dec. 24, the President's Foreign Intelligence Advisory Board (PFIAB), headed by former National Security Advisor Gen. Brent Scowcroft, has concluded that the White House included the Niger yellowcake claim in the State of the Union address, because it was desperate to have something showing that Saddam Hussein was attempting to get uranium for nuclear weapons. A source said that the White House was so anxious "to grab onto something affirmative" supporting the nuclear claim, that it disregarded warnings from the CIA and the intelligence community. Thus, the source said, the White House must share blame with the CIA.

Last May, President Bush asked PFIAB to look into the Niger episode, to determine how the claim came to be included in his speech. The report is not publicly available.

Ibero-American News Digest

Uribe Names Cartel 'Godfather' To Negotiate with FARC

Colombian President Alvaro Uribe made the suicidal move on Dec. 20, of inviting 90-year-old former President Alfonso Lopez Michelsen to preside over a negotiating committee intended to facilitate a "prisoner swap" with South America's largest cocaine cartel, the narco-terrorist FARC.

The idea of a "humanitarian" prisoner exchange had been repeatedly rejected by Uribe throughout his first year in office, as

a foot-in-the-door to renewing the "peace talks" with the FARC, which had led to unprecedented national destruction during his predecessor's term. Uribe's readiness to take that step now not only reveals the tremendous pressure he has been under internationally to yield on this question, but also shows how weakened he has become since putting his prestige on the line for a hated IMF program, which was defeated in a national referendum earlier this fall.

Adding to the disaster, is Uribe's choice of Lopez Michelsen to head the negotiating commission. Lopez was identified by the LaRouche movement in the 1970s as "the Godfather" of Dope, Inc. in Colombia. It was under Lopez Michelsen's Presidency (1974-78) that drug traffickers first established an empire in Colombia, and his regime legalized the laundering of drug money, "no questions asked," through the Central Bank. Thereafter, his political machine fought to legalize the drug trade, and at every point that Colombia's patriots rose up to wipe out these killers, Lopez Michelsen stepped forward to defend them. Most famous, was Lopez's personal meeting in 1984 with the heads of Medellin cocaine cartel in Panama, just one week after cartel hitmen assassinated Colombian patriot and LaRouche movement friend, Justice Minister Rodrigo Lara Bonilla.

Lopez's first move after being named by Uribe, was to give an interview to the leading Colombian daily *El Tiempo*, announcing that he had been given "full autonomy" by the Uribe government, and had begun contacts with "the interested parties"—i.e., the FARC. Asked about President Uribe's demand that any FARC terrorists released from prison be deported from the country, Lopez Michelsen rejected the idea outright. "My opinion is that, if they are going to be freed, no conditions can be put on them when they are freed. Freedom consists of not having any conditionalities on your behavior."

Lopez Michelsen defended the FARC, and its tactic of kidnapping hostages for a prisoner exchange. "You have to put yourself in the shoes of the other party," he argued. "The recourse to arms or to attacks to produce certain results, in the eyes of those who commit them, and those that inspire them, is a method to achieve the goals of social justice. They themselves, in their hearts, do not consider themselves criminals, but promoters of a doctrine different than that of the State."

President Uribe's office immediately issued a communique, insisting that Lopez would be bound by the government's security policy (i.e. was not "fully autonomous"), and that any prisoners freed would have to give credible guarantees that they would not "commit further crimes," i.e., return directly to the FARC.

Bishop Compares Chavez to Franco, Hitler, Sandinistas

In an explosive interview published Dec. 22 in Venezuela's *El Universal*, the head of the Roman Catholic Bishops' Council in Venezuela, Msgr. Baltazar Porras, charged that the Chavez regime is attempting to repeat what "the fascisms and the autocracies" attempted to do during the 20th Century: "cover the political with the mantle of the sacred and religious, to justify their actions." The regime is out to discredit national institutions, and eventually replace them with others, more docile before the government, the Catholic Church included, he explained.

Asked by *El Universal*, "Are you saying that the intention is to create a type of new lay cult?" the Bishop replied: "This is what the national catholicism of Francoism was, and also the lay liturgy, as Hitler's presentations were called. This is also what was attempted in Nicaragua, with the Sandinista Popular Church."

Although Monsignor Porras did not use the term "synarchist," he went after the two facets of Synarchism—"right-wing" fascism, as seen in Franco's Spain, and the "left-wing" theology of liberation, as seen in Sandinista Nicaragua in the 1980s—as the same project. Tensions between the Catholic Church, as an institution, and the Chavez regime have been so tense, that Msgr. Porras stayed at the home of the Papal Nuncio (which has diplomatic immunity) for two months this past fall. When Chavezista supporters began defacing statues of the Virgin in Caracas on Dec. 5, Porras charged that the regime was attempting to set off a repeat of the Spanish Civil War of the 1930s, this time in Venezuela.

The Chavez government, from its outset, had a strategy to "penetrate, divide, and control the Catholic Church," Porras said in this latest interview.

The Chavezistas are using "the cliché" that Jesus was a revolutionary, to say that if he were here today among us, he would use a red beret [a Chavez symbol], to fight for the revolution, the Bishop noted. "We are witnessing a type of modern idolatry," in which "power, pleasure, politics, the revolution ... are seen almost as deified." This making of power into something sacred, creates an injustice, and is an attack on human rights, he said, because it subjects them all to the supreme law of the revolution, of the regime, and the Ayatollah. An anachronistic plan, not only in the Western Christian world, but also among Muslims."

Porras charged that the regime is aiding little-known religious grouplets, which are neither evangelical, nor the "historic denominations." Aids include providing visas for foreign promoters of these grouplets to enter Venezuela easily, while representatives of the traditional religions are giving difficulty. These new pseudo-Christian or Santeria [voodoo] sects could not survive long in Venezuela, were they not receiving economic and logistical support, he said, adding that the other traditional churches and non-Christian religions are also worried about this phenomenon.

Mexican Congress Buried Wall Street VAT Tax Plan

President Vicente Fox's renewed attempt to impose the Value-Added Tax (VAT) on food, medicine, books, magazines, and newspapers was voted down before it even got to the floor of Mexico's Chamber of Deputies. Raising money by taxing food and medicine, so that all Mexicans, no matter how poor and starving, can escape paying Mexico's debt, was one of Wall Street and London's principal demands upon the Fox regime.

On Dec. 21, despite personal phone calls from the Secretary of the Treasury to various Congressmen, byzantine dilatory parliamentary tactics by Congressmen from the ruling PAN party, and a last-minute "offer" by the Secretary of Government to lower the proposed VAT tax from 6% to 3%, the Fox tax bill was voted down in the Treasury and Public Credit Committee of the Chamber of Deputies, by 15 to 13. The committee then voted up a tax bill which simply continues most of the current taxes and tax levels, into 2004.

President Fox went on national television that night to denounce the vote as a "historic error," charging that the country was being held "hostage" to "political forces which put the interest of faction before that of the nation." The President's attempt to lay the blame for his fiasco on the opposition party, the PRI, which booted out its Congressional faction leader, for trying to put through the Fox VAT tax, could not hide the plain fact, however, that a majority of the Mexican Congress refuses to pass Wall Street's looting package.

Following lengthy wrangling, the Mexican Congress finally passed a 2004 general budget on Dec. 31, as it is required to do by law.

Is Brazil To Get the Iran Treatment?

The International Atomic Energy Agency (IAEA) is pressuring Brazil give it access to the country's uranium-enrichment plant, which will begin producing fuel in May 2004 to be used at the two Angra dos Reis nuclear plants in Rio de Janeiro. The enrichment technology, which is now being installed at a factory of the state-run Nuclear Industries of Brazil (INB), located in Resende, in Rio de Janeiro, was developed entirely within Brazil, designed and produced by Brazilian Navy's Aramar Experimental Center, located in Iperó, São Paulo.

IAEA officials say that without having access to the enrichment centers, they have no way of verifying that Brazil won't produce more than the quantities of enriched uranium allowed, or that the fuel won't be "clandestinely" siphoned off and used "for other purposes."

Although IAEA inspectors have visited Navy installations in Ipero several times in recent years, they have never been allowed to see the uranium enrichment machines, or learn anything about their technical specifications. Among other things, the Navy's determination to guard the uranium-enrichment technology, which it developed secretly in the 1980s with civilian scientists, is linked to its plan to develop a nuclear-powered submarine, considered crucial for the country's technological independence.

Some months ago, the IAEA began intensifying the pressure, demanding that Brazil allow for more "rigorous" inspections of its nuclear installations. Then, at the beginning of December, Olli Heinonen, head of IAEA's Safeguards Department, sent a letter demanding that the agency be allowed to inspect the machines before they go into operation next May, telling the Brazilians they expected an answer by the first of the year.

Brazil says the IAEA's fears are excessive and unjustified. The country is a signator to the Nuclear Non-Proliferation Treaty (NPT), and is committed to the peaceful uses of nuclear energy. Yet both the IAEA and the U.S. government insist additionally, that Brazil sign an NPT protocol, which would also allow inspectors access to the companies which supply parts and equipment to the Navy's nuclear program.

Lula Government Sets Record Budget Surplus in 2003

For the first 11 months of 2003, the Brazilian government produced a primary budget surplus—funds set aside to pay the debt—of 4.94% of gross domestic product, far above the 4.25% of GDP established in its agreement with the International Monetary Fund. To accomplish this "feat," the government cut investments to less than a third of the already too low investments made in the last year of the government of Fernando Henrique Cardoso, which preceeded Lula in office. That is, while in 2002, the Cardoso government invested R\$10.1 billion, the Lula government invested only R\$3 billion, a infinitesimal amount for a country the size of Brazil.

The Planning Ministry has said it plans to increase investment in infrastructure and social areas to R\$8 billion in 2004—still under 2002 levels.

Brazil To Fingerprint Americans

Beginning Jan. 1, all U.S. citizens visiting Brazil must be fingerprinted and photographed upon entering the country, judge Julier Sebastiao da Silva ruled Dec. 31, in reciprocation for the new U.S. regulation mandating the fingerprinting and photographing of Brazilians (and citizens of 26 other countries) entering the United States. "I consider the act [by the U.S.] absolutely brutal, threatening human rights, violating human dignity, xenophobic and worthy of the worst horrors committed by the Nazis," Judge Sebastiao's court order said.

The same day, the Brazilian Foreign Ministry filed a formal request with the U.S. government, that Brazil be removed from the list of countries whose citizens are so treated upon entering the United States. The judge's order mandating reciprocal action by Brazil, however, may not be to the government's liking. Sources at the Brazilian Ministry of Tourism told the media that the Tourist Ministry may seek an injunction against the court order, fearing that U.S. tourism to Brazil might be affected.

Western European News Digest

Will Cheney Be Indicted First in France, or in the U.S.?

French magistrate Renaud van Ruymbeke, a highly respected jurist, has notified that country's Ministry of Justice that U.S. Vice President Dick Cheney could face indictment in connection with a bribery investigation involving the Halliburton oil services firm which Cheney headed from 1995 through 2000.

This comes while pressure is also building up against Cheney on a number of fronts in the U.S., as detailed in this week's *EIW InDepth*.

The French investigation involves the bidding for construction of a \$6 billion gas-liquification factory in Nigeria, which was built for Shell Oil Company by Halliburton's KBR subsidiary, in partnership with the French oil services company Technip.

Judge van Ruymbeke is examining \$180 million in secret commissions, which he believes were actually bribes paid to Nigerian officials and others. Van Ruymbeke is focussing on the "bagman" in the operation, London lawyer Jeffrey Tesler, who set up a company in Gibraltar through which the "commissions" were routed. Tessler has had a close relationship to Halliburton for 30 years.

Sources tell EIRNS that Cheney's own signature is to be found on some of the documents pertaining to the secret "commissions."

Neo-Con Book: Will To Win Ebbing in Washington

Frustrated neo-conservatives Richard Perle and David Frum complain in their new book, *An End to Evil*, that "We sense the reversion to the bad old habits of complacency and denial" in the Bush Administration policy. The publication of this book now, emphasized Britain's *Daily Telegraph* on Dec. 31, shows that the neo-cons are not happy with the way things are going in Washington. The *Telegraph*, which supported the war on Iraq, wrote that Perle and Frum "give warning of a faltering of the "will to win" in Washington. In the battle for the President's ear, the manifesto represents an attempt by hawks to break out of the post-Iraq doldrums and strike back at what they see as a campaign of hostile leaking by their foes in such centers of caution as the State Department or among military top brass.

"It may be assumed that their instincts at least are shared by hawks inside the government, whose twin power bases are the Pentagon's civilian leadership and the office of the vice-president, Dick Cheney.

"Such officials prevailed over invading Afghanistan and Iraq, but have been seen as on the back foot since the autumn as their post-war visions of building a secular, free-market Iraq were scaled back in favor of compromise and a swift handover of power next June."

The book demands a blockade and possible war against North Korea, and that China throw out Kim Jong-il; regime change in Syria; and for the U.S. to, in essence, put France and Saudi Arabia on its enemies' list. But, as the *Telegraph* notes in its editorial, "In the current political climate, *An End to Evil* can be seen as something of a rearguard action."

Blair Caught Lying Again About Iraq

British Prime Minister Tony Blair's Christmas message to British troops in Iraq claimed that there was "massive evidence

of a huge system of clandestine laboratories" in Iraq. He added the Iraq Survey Group had unearthed "compelling evidence" to show that Saddam Hussein had attempted to conceal weapons. In fact, David Kay, the head of the ISG resigned under a cloud of embarrassing evidence that there were no weapons of mass destruction.

When U.S. viceroy in Iraq, Paul Bremer, was asked about these comments by ITV's John Dimbleby—(apparently before Bremer was told Blair was the speaker)—Bremer said, "It sounds like a bit of a red herring to me. It sounds like somebody who doesn't agree with the policy, sets up a red herring, then knocks it down."

A spokeswoman at 10 Downing Street said Blair had been referring to material released earlier this year. Former Blair Cabinet Minister Clare Short, who resigned from Blair's cabinet over her opposition to the war, called on Blair to resign. "If you are going to start getting into deceit when you are going to war and risking human life, it has gone too far," she said.

Church of England Leaders Attack Blair on Iraq War

The Archbishop of York and the Bishop of Durham, respectively, ranked second and fourth, respectively, in the Church of England hierarchy, criticized Prime Minister Tony Blair in interviews published Dec. 29, 2003, one day after Blair made *new* false claims of hidden WMD labs in Iraq. The leading Church of England cleric, the Archbishop of Canterbury, is a long-standing critic of Blair's Iraq war.

In an exclusive interview with the London *Times*, Dr. David Hope, Archbishop of York, warned Blair and U.S. President Bush, that they should heed the Christian lesson of the Incarnation, that success is ultimately achieved through humility rather than worldly power. "There is a higher authority before whom one day we all have to give an account," Dr. Hope warned Blair. Blair has claimed he is "ready to meet my maker" and answer for those killed or wounded in the Iraq war.

Hope said the Hutton Inquiry into the July 2003 death of British WMD specialist Dr. David Kelly, would likely provoke a review of the whole Iraq policy, which raised questions of leadership and trust. The Hutton Inquiry's findings, are expected to be published this month.

Dr. Tom Wright, Bishop of Durham, attacked Blair and Bush in an interview in the Dec. 30 *Independent*. "For Bush and Blair to go into Iraq together was like a bunch of white vigilantes going into Brixton to stop drug dealing. This is not to deny that there's a problem to be sorted, just that they are not credible people to do it."

Dr. Wright also said that the religious conservatives who surround George Bush espouse "a very strange distortion of Christianity" and the fact that "some of them stand to benefit financially from the reconstruction of Iraq" has made the whole enterprise even more suspect.

In addition, Wright sharply criticized Israeli Prime Minister Ariel Sharon, saying: "There must be better ways to achieve peace than the road taken by the government of Ariel Sharon."

"I agree with the millions of Jews around the world, and tens of thousands in Israel ... who grieve at what some Jews in Israel, led by Ariel Sharon, are doing." Wright added, "I'm not anti-Israel, but when I see what's been done to the Palestinians over the past 50 years, I say, 'Well I'm sorry, but if you put people behind barbed wire, keep them caged, take their land, despite international resolutions, and bulldoze their homes, you are asking for trouble.' "

German Experts Question U.S.-Alleged Terror Attacks

Regarding "U.S. intelligence reports" that the Al Ansar organization, based in northern Iraq, was planning attacks in Hamburg, Germany, experts from the Friedrich Ebert Stiftung and the *Frankfurter Allgemeine Zeitung* were quite skeptical.

Udo Ulfkotte, a terrorist expert, told the *FAZ* that the Al Ansar elements were "driven out of Iraq" by the U.S., which fought against them, and that some made it into Germany. "The Americans were furious," he said, that Germany had allowed them in, and that some were in the process of winning asylum. What is the connection?, he wondered. These are the enemies of the Americans. The Friedrich Ebert Stiftung expert noted that if there were targetting in Europe, Britain, not Germany, would be the likely victim.

At the same time, while anti-terrorism authorities in Hamburg continued to investigate alleged threats that the German Army's hospital was at risk from suicide bombers, the threat as such has not been substantiated, nor have any explosives been detected.

The terror alert originated from "U.S. intelligence agencies," and the original recipients of the U.S. memorandum are the German Anti-Crime Agency (BKA) and the German foreign intelligence BND, who then alerted the Hamburg authorities. The alert indicated the terrorist organization Ansar al-Islam planned to attack the German Army hospital and the American Rhine-Main Air Base in Frankfurt, as well as other U.S. military installations in Germany.

Strangely, the air bases at Frankfurt and Ramstein stated they never received any specific terror alert from the U.S. The Hesse Interior Ministry, which is in charge of extra protection measures for the air base in Frankfurt (according to a special, post 9-11 U.S.-German agreement), has no evidence of a heightened threat. Furthermore, German Interior Minister Otto Schilly voiced his skepticism with Hamburg local police measures for the Army hospital.

EC President Unhurt by Mail Bomb

European Commission President Romano Prodi was unhurt by a mail bomb delivered at his home on Dec. 27. The bomb burned, but failed to explode, causing minor damage in his house. A previously unknown anarchist group claimed responsibility for the bomb, and two others that exploded near his house on Dec. 21. In a letter sent to the Italian daily *La Repubblica*, the group, calling itself the Informal Anarchic Federation, said it targeted Prodi because he is a representative of a repressive "new European order." Perhaps the new order they're complaining about is the Tremonti infrastructural development plan for Europe, put on the agenda by Italy's presidency of the European Union.

Explosive Materials Intercepted in Frankfurt, The Hague

In Frankfurt, Germany and The Hague, Netherlands, packages containing explosive materials were intercepted Dec. 29, two days after a booby-trapped parcel burst into flames at the home of the President of the European Commission, Italy's Romano Prodi, the *New York Times* reported Dec. 29.

In Frankfurt, workers in the mailroom of the European Central Bank handed over to local police a package postmarked Bologna, and addressed to the President of the European Central Bank, Jean-Claude Trichet, who was reportedly in his office at the time, but did not handle the parcel. Preliminary reports indicate the letter contained an explosive powder along with wires, indicating a homemade device.

In The Hague, employees at the European Union's law-enforcement coordination agency, Europol, were evacuated from their offices at 4 p.m., while police defused an explosive device sent to the director of the agency, Jurgen Storbeck. A member of the Dutch prosecutor's office, Astrid Rijdsdorp, told media the object was a letter bomb about the size of a book.

Officials declined to comment on whether there were any similarities in the incidents.

Dramatic Increase of Poverty in Germany Seen

In reviews of the year 2003, the association of non-state welfare organizations PWV warns of a new round of immiseration of large sections of low-income populations. For example, long-term jobless citizens will, under the changed legislation under the second installment of the Agenda 2010 policy, no longer receive normal (already low) unemployment subsidies, but only welfare payments. This will affect some 1 million Germans who have been without a job for more than 12 months. Welfare no longer grants a minimum living, the PWV says, because the last cost of living adjustment was made in 1992, which no longer corresponds to the situation today.

Furthermore, the chronically ill and welfare recipients will be under increased pressure, beginning next year, to accept any job, even part-time, or face cuts in welfare pay. The children of welfare recipients will suffer considerably: a half-million more children will be forced to live below official poverty levels, estimates PWV because 25% of the children in this category live in single-parent households, and these are facing pay cuts as of 2004.

Russia and the CIS News Digest

Russian Defense Minister Inaugurates New Missile Unit

On Dec. 21, Defense Minister Sergei Ivanov was accompanied by Strategic Missile Corps Commander Gen. Nikolai Solovtsov, to inaugurate Russia's fourth unit of Topol-M ICBMs. Ivanov's remarks there were played up on national TV. He said that the activation of the regiment shows "the unwavering commitment of this country's leadership to maintaining our strategic nuclear potential."

"Only these weapons can ensure our sovereignty and national security," he said, "Placing more silo-based and mobile Topol-M systems on alert duty is a priority task for the country, and the task is being carried out without fail." In addition, Ivanov stressed that Russia is "qualitatively improving" its nuclear arsenal, including the Topol-M. This ICBM was designed as a road-mobile, single-warhead system, but improvements would include MIRVing it—equipping it with multiple, independently targettable warheads.

Asked about possible reactions to Russia's putting its most modern missiles on combat status, Ivanov said, "We are less worried about other countries' reaction to placing missile systems on alert duty than we are concerned about our security. This is why recently we paid great attention to the quality development of the strategic nuclear forces.

Putin Warns Washington that Empires Fail

In his year-end webcast discussion with Russian citizens, President Vladimir Putin warned that the United States should guard against feelings of infallibility, which have led to bad endings for empires throughout history. Putin answered a question on whether the U.S. was heading for another Vietnam, in Iraq: "We are not interested in the USA losing its fight against international terrorism, we are their partners in it. But Iraq is a special case, there were no international terrorists there under [Saddam] Hussein.

"The use of force outside one's borders can be allowed only by UN Security Council sanction; this is international law. Hence, everything done without such sanction cannot be approved as legitimate, neither [can it] be justified.

"But in the history of mankind, great countries, empires, have always suffered a number of problems, like feelings of invulnerability, of greatness, of infallibility. This has always worked against them. I hope it will not happen to our American partners."

Putin May Revise Some Privatizations

In a Dec. 23 address to the Russian Chamber of Commerce and Industry, headed by Yevgeni Primakov, President Vladimir Putin reiterated that he does not plan a policy of mass re-nationalization of privatized corporations, but warned that privatizations that "did not observe the law," could be reviewed. The *Moscow Times* reported the speech under the headline "Putin Threatens To Revisit Sell-Offs."

Putin said, "I keep hearing ... that the laws were complicated, and that it was impossible to observe them. Yes, the laws were complex ... but it was quite possible to respect them. If five, seven or 10 people broke the law, that doesn't mean others did the same." It is not acceptable for "those who were involved in deliberate fraud" to be better off than those who obeyed the law.

Yukos's Khodorkovsky Remains in Jail

The Basmanny District Court on Dec. 22 granted a request from the Russian Prosecutor General's Office to extend the detention of former Yukos Oil chairman Mikhail B. Khodorkovsky for another three months, which means—barring an unforeseen event—that he will remain in jail until after the Russian Presidential elections in March. He has been charged with seven criminal offenses, including fraud and tax evasion. His partner, former bank president Platon Lebedev, also lost his appeal against his extended detention.

Joint Russia-Mercosur Communique

A communique was issued Dec. 16 following Russian Foreign Minister Ivan Ivanov's participation in the Mercosur (Common Market of the South) Heads of State summit, held in Montevideo that day. Signed by the seven countries represented (Russia, the four Mercosur core members—Argentina, Brazil, Paraguay, Uruguay—plus Associate members Bolivia and Chile) it states that it is the desire of these nations to establish a "Mechanism of Political Dialogue and Cooperation" among them, in order to better cooperate in multi-lateral forums on international peace and security, such as at the UN, and to foster trade, investment, and scientific and technological cooperation between them.

Brazil's initiative to bring Russia directly into Ibero-American policy discussions, is a facet of Brazil's increasingly aggressive diplomatic efforts to create some counter-balance to the Bush-Cheney regime's drive for world hegemony—without breaking with the IMF system, however.

Just back from a nine-day trip to the Middle East, President Lula da Silva told Brazilians in his bi-weekly radio program on Dec. 15, that he will most likely visit China in May 2004, should visit India next year, also, and would try and persuade Russian President Vladimir Putin to visit Brazil.

Russia-China Defense Document Signed

Russia and China signed a defense cooperation protocol Dec. 17, providing for China to buy \$2 billion worth of Russian arms, weapons systems, and technologies next year, *The Hindu* reported, citing Russian media. Russia and China "are all set to boost cooperation in sensitive defense areas, including joint research and development of new weapon systems and their supply to third countries." This has been "a privilege so far enjoyed by India."

Chinese Defense Minister Gen. Cao Gangchuan, who is making an eight-day visit to Russia as the guest of Russian Defense Minister Sergei Ivanov, will lead the Chinese delegation at the regular meeting of the Russian-Chinese Intergovernmental Commission on Military-Technological Cooperation being held in Moscow.

The protocol is a detailed program for Chinese-Russian defense interaction in 2004, involving new and ongoing contracts valued at the equivalent of US\$2 billion, said Deputy Defense Minister Mikhail Dmitriyev. "China occupies the number one place in Russia's foreign military-technical cooperation and will retain this place in year 2004," he added.

Cao Gangchuan is also meeting Prime Minister Mikhail Kasyanov, but will be received by the supreme military-political leadership of Russia, to discuss further development of the two nations' strategic partnership and key issues of international and regional security. Cao Gangchuan will also visit Nizhny Novgorod and St. Petersburg, to see modern armaments and military hardware produced in Russian defense enterprises.

On Dec. 16, Cao Gangchuan told reporters that, if the European Union lifts its embargo on supplying weapons to China, this would not affect the Russian-Chinese military cooperation. The possibility that the EU will lift the embargo is due to the favorable development of relations between China and the EU, Cao said.

Presidents of Russia and Ukraine Meet in Kerch

Russian President Putin visited Ukraine the week of Dec. 22 for talks with President Leonid Kuchma. Meeting in Kerch, Crimea, near the recent focus of a territorial dispute over Tuzla Island (or, Tuzla Spit), the two signed an agreement on joint use of the Straits of Kerch. It is evidently designed as an economic cooperation umbrella, under which the political tensions can be cooled out.

The straits are to be used by both Russia and Ukraine, while third countries are allowed to enter the Sea of Azov only if both Russia and Ukraine agree. There will be a 50-50 joint company for economic development of the straits region, which will supervise shipping and fishing in the border territory. They also agreed to sign a comprehensive treaty on the border in the Sea of Azov. Reports indicate this treaty will be essentially similar to the agreements reached by Caspian Sea littoral countries ("the bottom is divided, while the waters are jointly used").

Michael Saakashvili Visits Ukraine

Despite an unstable situation in Georgia, with newly installed President Nino Burjanadze warning about the threat of a military coup, Michael Saakashvili, the leader of the coup against President Eduard Shevardnadze, found time to travel to Ukraine in mid-December. He was invited by Victor Yushchenko, head of the Our Ukraine party, whom some Project Democracy types have pegged as the Saakashvili of Ukraine—capable of toppling President Kuchma. In a public speech in Kiev, Saakashvili said that Russia's having invited to Moscow the leaders of Abkhazia and South Ossetia was evidence of a "pro-separatist policy."

However, President Putin did meet with Burjanadze, on the occasion of the funeral of former Azerbaijan President Heidar Aliyev (see below).

Aliyev Funeral Occasions Diplomacy

We note the death of Heidar Aliyev, former President of Azerbaijan and long-time Soviet intelligence and political figure before that, announced on Dec. 12. Stories about Aliyev's background ranged from a kinship relationship with an important

operative in Soviet "nationalities policy" at the time of the early-1920s Baku Conference of Eastern Peoples; to his coming from a family of Muslim clerics in Azerbaijan; to his being the son of a worker. Be that as it may, his rise in both the Soviet Communist Party and the KGB was as a protégé of the late Yuri Andropov. He was a member of the Politburo in the 1980s. Accordingly, Aliyev had some special relationship with British Intelligence and its operations in the Transcaucasus, which carried over into the post-Soviet period.

Aliyev was returned to power as head of his native Azerbaijan in June 1993, on the shoulders of a rebel militia force that overthrew President Elchibey. Aliyev promptly invited British Petroleum to lead the consortium to exploit Azerbaijan's Caspian Sea oil resources. He also cultivated business with Bush-league U.S. petroleum companies, including Enron.

Aliyev died of heart failure at the Cleveland Clinic in the United States. His son Ilham had been elected to succeed him, a few months ago.

Aliyev's funeral occasioned the assembly of CIS country leaders and others. In attendance were Presidents Putin of Russia, Kuchma of Ukraine, Nazarbayev of Kazakhstan, Uzbekistan's Prime Minister Khalilov, acting President of Georgia Burjanadze, the just-toppled President Shevardnadze, Ajarian President Abashidze (who, from within Georgia, refuses to recognize the new government), Prime Minister of Turkey Ahmet Necdet Sezer, and Iran's Vice Premier Mohammad Reza Aref. The United States was represented by Brent Scowcroft. Vagit Alekperov, head of Russia's Lukoil company, was there, as was Mayor Yuri Luzhkov of Moscow.

Kommersant noted that the recent bid by U.S. Secretary of Defense Donald Rumsfeld to take advantage of the Azerbaijan leadership transition and set up U.S. military bases in Azerbaijan, under the pretext of "securing the Baku-Ceyhan pipeline," is negatively perceived in Moscow. Naturally, such initiatives inspire provocateurs to push destabilization projects. Speaking to *Izvestia*, provocateur thinktanker Stanislav Belkovsky advised the Kremlin "to play on the increasing tensions in the Azeri elite, including the contradictions in the circles devoted to Ilham Aliyev."

Mideast News Digest

New Revelations: Kissinger, Schlesinger Planned Seizure of Mideast Oil Fields in 1973

Henry Kissinger and James Schlesinger, two members of the Pentagon nest of Iraq warmongers—the Defense Policy Board, headed until April 2003 by neo-conservative Richard Perle—planned in 1973 to seize oil fields in the Middle East, reveal newly declassified British documents, according to reports by BBC, the London *Guardian*, and the *Washington Post*. The Nixon Administration, and particularly Richard Nixon's Defense Secretary Schlesinger and Secretary of State Kissinger, were contemplating a military seizure of Middle East oil fields during the 1973 oil crisis, British intelligence reports show.

A Joint Intelligence Committee (JIC) report prepared for then-Prime Minister Edward Heath in December 1973, said that U.S. officials were considering an airborne military operation to seize oil fields in Saudi Arabia, Kuwait, and possibly Abu Dhabi, to be followed by a period of occupation of at least 10 years.

These discussions came after Arab OPEC member countries had imposed a boycott on the U.S. and other Western countries, to pressure them to force Israel to withdraw from Arab territories seized during the 1973 war.

Schlesinger had told the British Ambassador to the U.S., Lord Cromer, that the U.S. could not tolerate being subjected to the "whims of under-populated, under-developed countries," particularly in the Middle East. Cromer got the clear impression from Schlesinger that "it might not ... be possible to rule out a more direct application of military force." The

JIC report said that "the American preference would be for a rapid operation conducted by themselves to seize oilfields."

Kissinger stated on Nov. 21, 1973, that, "It is clear that if pressures continue unreasonably and indefinitely, then the United States will have to consider what countermeasures it may have to take." In his memoirs, Kissinger said that, "These were not empty threats," and that he had ordered contingency studies "on countermeasures," if the embargo continued.

In a 1982 speech to the British Establishment's Chatham House, Kissinger boasted that when he served as U.S. Secretary of State, he kept the British Foreign Office better informed than he did U.S. institutions, including the White House.

Saddam Capture Does Not Halt Insurgency

On New Year's Eve, just hours after the U.S. Commander in Baghdad, Brig. Gen. Martin Dempsey, reported that the city was safer after the capture of Saddam Hussein, a car bomb blew up outside an upscale Baghdad restaurant, killing eight, and injuring more than 30, including three *Los Angeles Times* reporters. The same night, another car bomb in Baghdad killed one Iraqi child and injured 21, including five U.S. Army soldiers and five Iraqi militiamen; another Baghdad bomb wounded three American soldiers and three Iraqis.

Dempsey had bragged that, after more than 80 American servicemen were killed in action, in Iraq, in November, "only" 38 more died in action in December. He is being criticized for mimicking Bush's foolish announcement of the "end of major combat," made beneath a banner reading "Mission Accomplished," on the deck of an aircraft carrier, on May 1, 2003.

To the contrary, senior military officers are expressing great concern to EIRNS about the pattern of the casualties, some of which are reported in media stories.

Associated Press reported Jan. 1, that deaths among reservists in Iraq shot up dramatically in December: they were 14% of the total of U.S. casualties in November; 14% overall since the war began; but more than 25% of the total killed in December.

The rotation planned for early 2004 will increase the percentage of reservists from the current 20% to 40%. This includes three National Guard combat infantry brigades.

On Dec. 28, the *Washington Post* reported that the *rate* of U.S. casualties has increased. Between May 1 and the end of August, 65 U.S. service members were killed in action in Iraq. But, from Sept. 1 to the day after Christmas, 145 were killed.

The number of wounded has also increased dramatically, from 574 between May 1 and Aug. 30, to 1,209 between Sept. 1 and Dec. 26. And, since Saddam Hussein's capture on Dec. 13 through Dec. 26, twelve soldiers were killed and another 105 wounded.

One of the real scandals is that no media coverage is allowed, by Pentagon directive, of the wounded who are flown into Andrews Air Force Base every night, or of the bodies of the dead arriving at Dover Air Force Base in Delaware. If the number of casualties is so small as to be politically unimportant, as pro-war pundits say, why is the Pentagon so afraid of media coverage?

Syria Files Resolution for Nuclear-Free Middle East

Syrian Ambassador to the United Nations, Fayssad Mekdad filed a resolution in the UN Security Council Dec. 29, calling for a nuclear-weapons-free zone in the Middle East, less than 72 hours before Syria's two-year term on the UNSC expires Dec. 31. Algeria will take over as a non-permanent member of the UNSC for a two-year term starting Jan. 1, and has pledged to press forward with the resolution.

Speaking to reporters Dec. 29, Ambassador Mekdad said of the timing of a UNSC vote that, "We are giving members of the Security Council time to consult with their capitals. We will have to wait and see what the next step will be." He added that the resolution was introduced by Syria on behalf of the 22 Arab countries at the UN, the 117 members of the Non-Aligned Movement, and the 54 members of the Organization of Islamic Conference. If the UNSC fails to vote on the resolution by Dec. 31, Algeria "will continue to pursue the objectives of the resolution."

Israel is the principal target of the resolution, and remains the only regional nation not to have signed the Non-proliferation Treaty (NPT). Reports on the closed-door debate on the resolution on Dec. 29 indicated that only six of the 15 UNSC members spoke in support of the resolution, three short of the nine votes needed to vote up the resolution. Pakistan, France, Britain, Germany, Bulgaria, and the USA, also had reservations, according to a diplomat who attended the session, and added that Syria had further urged the UNSC to require Israel to eliminate its weapons of mass destruction. Sources say that participant believe a resolution would be pointless if the USA did not exert pressure on Israel to cooperate.

In Washington, State Department Deputy Spokesman Adam Ereli responded to this initiative, with the limp comment, "as an overall objective, we would like to see a region free of weapons of mass destruction." The UNSC resolution is the first text put before the UNSC to call for adherence to all relevant treaties, and would involve the UNSC "in adopting a global approach to countering the spread of all weapons of mass destruction in the countries of the Middle East *without exception*" (emphasis added). It also urges countries to adopt the Nuclear Nonproliferation Treaty, the Comprehensive Test Ban Treaty. The UN General Assembly has already adopted a "nuclear-free Mideast" resolution.

Israel Considering Attack on Iran's Bushehr Reactor

"Israel is reportedly considering destroying Iran's nuclear capability," UPI wire service reported on Dec. 21. The brief story quoted both Defense Minister Shaul Mofaz and Mossad chief Meir Dagan on the possible strike, and reported, quoting an Australian source, that "Dagan said Israel has discovered Iran is close to finishing construction of a uranium enrichment plant that could eventually give it the capacity to build around a dozen nuclear bombs."

A day later, IRNA, Iran's wire service, reported that Iranian "President Mohammad Khatami, on Dec. 22, brushed aside speculation about a likely U.S. attack against Iran and Syria, while he laughed off the Israeli Defense Minister's revelation about Israel's plan to destroy Tehran's nuclear capabilities. "He made a damn mistake," the Iranian President retorted with a smile, when asked to comment on the statements made by Shaul Mofaz, who had been cited as saying that "the necessary steps will be taken if a decision is made to destroy Iran's nuclear capability."

Former President Ali Akbar Hashemi Rafsanjani was even less polite, saying, "If Israel were to attack, it would be dealt a retaliatory blow, which it would never forget.

Members of Israel's Elite Commando Force Refuse To Serve in Occupied Lands

Israeli reservists from the elite Sayeret Matkal special forces declared their refusal to serve in the Occupied Territories, in a letter to Israeli Prime Minister Ariel Sharon and Defense Minister Shaul Mofaz on Dec. 21. This is the third such letter signed by members of the Israeli Defense Forces, and is signed by 13 soldiers, including officers up to the rank of major; it said:

"We, citizens who serve in active reserve duty, fighters and officers, Sayeret Matkal veterans, have chosen to join the forward guard in the manner we have been trained. With grave concern for the future of Israel as a democratic Zionist and Jewish state, and with concern for her moral image—we can no long stand aside.

"We tell you today:

"We shall no longer lend our hand to the subjugation taking place in the territories.

"We shall no longer lend our hand to the quelling of human rights of millions of Palestinians.

"We shall no longer serve as a defense shield for the settlements campaign.

"We shall no longer deface our human image as an army of occupation.

"We shall no longer deny our commitment as fighters in the Israel Defense Forces.

"We fear for the destiny of the children of this land, exposed to an evil that is unnecessary, and to which we have lent our hands. We have long transgressed the border of soldiers ... and have become warriors suppressing another nation. We shall cross this border no more!

"We stress and state: We shall continue to protect the State of Israel and the security of its people from all enemies. 'He who dares—wins' " (This quote from the motto of the British SAS.)

One of the signers told Israel's Channel 1 News that insubordination can lead to the disintegration of society, "But Israeli society is disintegrating anyway. I can only hope that the brakes we are applying" will slow it down.

Another signer, a Major, told Channel 1, "I was sent to suppress another nation. I was sent to be an occupying army. I don't know what the political solution to this war is ... [but] I cannot bury my head in the sand."

Israel Prosecutes Rabbi for Standing Against Bulldozers

Israeli Rabbi Arik Ascherman, a member of Rabbis for Human Rights, will be put on trial Jan. 14, facing two counts of standing in front of bulldozers which were demolishing Palestinian homes on the outskirts of Jerusalem. He proudly reports, "the RHR board made the bold decision not to plea bargain, but rather, in the best tradition of civil disobedience, to put the very policy of home demolitions on trial." The latest round of demolitions is "for lack of building permit."

On March 16, 2003, American Rachel Corrie was crushed to death by an IDF bulldozer, while attempting to save a Palestinian home in the Gaza Strip.

For trial-related reasons, Rabbi Ascherman currently only admits to losing his yarmulke (*kippah*). In his essay, "There Is a *Kippah* in the Rubble," posted by The Shalom Center, he writes: "There isn't much in the rubble of those houses, as the families succeeded in removing most of their belongings. It is not like some of the demolitions where we find children's toys, clothes, and schoolbooks among the rubble. However, there is a *kippah*, and I feel that it means something. Perhaps it symbolizes the trampling and burial of the Jewish values I grew up believing in. Perhaps it means the opposite. Perhaps it symbolizes the fact that there were Jews who stood against this injustice, in the name of Torah."

Asia News Digest

Afghan Loya Jirga Fails To Achieve Objective

Despite heavy maneuverings by the UN Special Envoy to Afghanistan, Lakhdar Brahimi, and the U.S. Ambassador to Afghanistan and a member of the neo-con cabal in Washington, Zalmay Khalilzad, the attempt to bring reconciliation and mutual understanding among various Afghan ethnic groups through the Loya Jirga (Grand Council of Elders) has shattered to pieces. The Loya Jirga of 502 delegates, representing various region and ethnic groups, had begun deliberating on Dec. 14, with the hope of adopting the draft Constitution prepared by the Afghan interim regime, under the leadership of President Hamid Karzai. The deliberations were prolonged due to the minority ethnic communities' refusal to accept the 'strong Presidency' clause in the Constitution, strongly defended by President Karzai and his American backers. The opposition interpreted the clause as a way to delegate immense power to the ethnic majority Pushtun community. The Opposition, led by the former President Burhanuddin Rabbani, a Tajik-Afghan, pointed out that because of the existing numbers, a Pushtun will be elected every time, and it would help to consolidate power in the hands of the majority.

Although Karzai and his supporters urged the opposition to rally behind "one Afghanistan," it was clear to all who were opposing the clause, that it is an American ploy to keep control of Afghanistan through maintaining control over a single person—a President. The opposition to Karzai believed that such control cannot be exercised if the power is entrusted to a strong parliament, elected by the people, to which the President must remain answerable.

The failure of the Loya Jirga has exposed the existing hostilities within various communities in Afghanistan. In essence, holding the Loya Jirga may turn out to be a negative factor. It may help the anti-Karzai, anti-America militant groups recruit in the near future. If anyone could be blamed for this catastrophe, it must be Zalmay Khilailzad and his neo-con friends in Washington.

South Asian Leaders Willing To Compromise

The Foreign Ministers of South Asian Association of Regional Countries (SAARC), representing India, Pakistan, Sri Lanka, Bangladesh, Nepal, Bhutan, and Maldives, are meeting in Islamabad. They agreed on Jan. 2, to create a regional free-trade area, to take measures to combat terrorism, and to raise the living standards in a region home to nearly a quarter of world's population.

Although bilateral discussions are not allowed under the SAARC charter, there is much expectation of easing of the India-Pakistan relations during the Summit. Indian Prime Minister Atal Behari Vajpayee will be in Islamabad and will hold one-to-one talks with the Pakistani President Pervez Musharraf and Pakistani Prime Minister Zafarullah Khan Jamali. India's National Security Adviser and Prime Minister's Principal Secretary Brajesh Mishra is already in Islamabad.

Meanwhile, South Asian corporate chiefs, the most effective pressure group for turning SAARC into a regional economic power, have announced that they plan to launch a forum to push free trade and investment in the region.

"We want to build South Asia as a manufacturing and outsourcing hub for the world," said Ajay Khannda, of India's Confederation of Indian Industry.

Pak National Assembly Declares Musharraf President

After months of stand-off, elected Parliamentarians and selected Senators voted to elect Gen. Pervez Musharraf President

of Pakistan. The unprecedented vote, allowed by a new constitutional amendment, accorded legitimacy to Musharraf's military presidency after 14 months of noisy opposition. The vote of confidence was registered in return for Musharraf's promise to relinquish the post of the Chief of Army Staff (COAS) by Dec. 31, 2004. Musharraf will remain President till 2007.

Although two major political parties, Pakistan People's Party (PPP) and former Prime Minister Nawaz Sharif's Pakistan Muslim League (PML-N), refrained from voting, Musharraf drew support of the Pakistan Muslim League (Q)—a party created by Musharraf and the six-party religious group Muttahida Majlis-e-Amal (MMA). Musharraf was also backed solidly from Washington.

According to Pakistani analysts, President Musharraf's promise to shed his military uniform meant little. In reality, Musharraf may find many emergencies and expediciencies to extend his tenure as COAS for another five years. What was key during the National Assemblies vote, was that Musharraf was cheered on by the mullah-infested MMA and from a distance, by Washington. This support combination will equip the President with a lot of power.

India To Send Large Business Delegation to Central Asia

To open up business with Kazakhstan, Uzbekistan, Kyrgyzstan, and Azerbaijan, a delegation of 40 business men and women will be leaving on a 13-day (Jan. 10-22) tour, India's Ministry of Commerce announced. The delegation will be led by India's Minister of State for Commerce, S.B. Mookerjee.

Indian officials pointed out on Dec. 28, to the news daily, *The Indian Express*, that the visit was part of the "Focus Central Asia" program launched last year and is yet to take off. Earlier this year, the Federation of Indian Exporters Organization (FIEO) had organized a roundtable in New Delhi with ambassadors and representatives of business and industry from Belarus, Kyrgyzstan, Turkmenistan, Uzbekistan, and Kazakhstan. India's trade with these Central Asian nations has remained very low, in the vicinity of \$1.7 billion.

The objective of the visit, as elaborated by the Ministry of Commerce, is to identify sectors where India could make direct investments. Central Asian countries want India to invest in a number of areas. A delegation from Kyrgyzstan which recently visited India said their country would like to set up joint ventures with the Indian companies to invest in the region.

Benefits of Malaysia's Bakun Dam Will Be Long-Term

Roger Wong, CEO of Malaysia's Sarawak Electricity Corporation (SESCO), which is building the huge Bakun Dam in Malaysia, issued a caution that the benefits of dam as a cheaper source of electricity would become apparent only in the long term, due, in part, to the high initial capital investment in building the dam and commitments made to generating plants and independent power producers.

Wong pointed out that any change in the electricity tariff structure depends on two other variables—consumer demand and the nature of ownership of the project. He said: "If the owner is a private concern driven by profit, then rates may go up. But if the owner is the government, then the rates may be lower."

China Expanding 'Europe Orientation' Strategy in Aerospace

China launched the first probe in the Sino-European Double Star satellite cooperation project, announced Sun Weigang, director of the astronautics of the China Aerospace Science and Technology Corporation (CASTC) on Dec. 29.

Sun said the successful launch is a "classic" in Sino-Europe cooperation and a sound foundation for further cooperation in further areas. The satellite was jointly produced by the two sides, he said. Also, Sun reported, China Aerospace Science and Technology Corporation has signed an agreement with France's Alcatel to jointly produce a communication satellite. Sun Weigang emphasized that this "Europe orientation" is a key part of making the CASTC, a world-class aerospace enterprise.

China May Cut Bank Energy-Intensive Projects

Facing increasing shortages of electrical power, Chen Jinxing of the State Grid Corporation, told reporters on Dec. 29 that "electricity consumption has been growing by at least 15% monthly on average since June 2002. Twenty-one provinces, two-thirds of China, had to limit the use of electricity due to power shortages."

Already, seven of China's provinces have enforced blackouts this winter to prevent a total collapse of their electrical grids. More blackouts are expected in the coming period.

A national-level meeting said China would have to accelerate construction of new power projects, and have central coordination of the coal, power, and transport sectors to ensure supply. The new projects will all be based on burning of coal.

India Expects Myanmar and Bangladesh To Expel Insurgents

The Royal Bhutanese Army has reportedly demolished all camps set up by the northeast Indian insurgents—United Liberation Front of Asom (ULFA), National Democratic Front of Bodoland (NDFB), and the Kamtaput Liberation Organization (KLO), within Bhutan along India-Bhutan border. The insurgents, on the run, had ostensibly sent an appeal to the "Chairman, People's Republic of China," requesting asylum. Subsequently, Beijing made it known that no Indian insurgents would be allowed into China.

On Jan. 2, the Indian Army Chief of Staff, Gen. N.C. Vij hinted at possible action by the Myanmar Army against northeast-based rebels. On visit to the northeast, General Vij praised the Royal Bhutanese Army for carrying out a "very good" action against the rebels, and told reporters that in Myanmar also there exist camps of the rebel outfits. He made clear that since the bilateral relationship between New Delhi and Yangon is cordial, there is no reason why the Myanmar Army cannot do as good a job the Bhutanese Army did. He also pointed out that the Bhutanese Army's action has broken the backbone of the ULF, NDFB and KLO outfits and has neutralized almost 650 of the 1,200 northeast insurgents.

General Vij said there were rebel camps within Bangladesh, but Dhaka has not shown any interest to flush them out. Earlier, New Delhi had charged that militants fighting the Indian government also crossed the porous border into Bangladesh.

The Dhaka government denies allowing any rebel to operate from Bangladesh. Bangladeshi troops made a major seizure of mines and rocket launchers in raids in the tense southeastern hills bordering India and Myanmar.

India Has Doubts About Israeli Nuclear Sub Technology

According to the Indian government-run news agency, Press Trust of India (PTI), India's Defense and intelligence sources have expressed serious doubts about Israel's ability to assist India in building its nuclear submarines. The offer to assist was reportedly made by the Israeli Prime Minister Ariel Sharon during his visit to India in September 2003.

Citing sources, PTI pointed out that Israel, which has just procured a Dolphin-class submarine from Germany, has neither the practical experience, nor technology to offer to India in this area. Israel could supply India with submarine-related missiles, radar, and other electronic systems, but even these would be of secondary interest to New Delhi.

Even if Israel were to use the project to acquire the experience for building its own deep-sea naval force far from the Israeli coastline in the future, such a proposal is "nonetheless, an interesting theoretical exercise," bearing little relevance for Israel's strategic situation, the source cited by the PTI said.

In addition, as a non-signatory of the nuclear Non-Proliferation Treaty (NPT), Israel cannot publicly get itself involved in such a venture with another non-signatory of the NPT, without raising serious questions from the international community about its own nuclear defense capabilities and intentions.

This Week in History

January 5 - 11, 1941

Americans have heard a lot of justifications for war over the past year, not to mention the last decades. In the end, it turned out that each of the wars since World War II, were not being fought for the noble purposes advertised, but rather, on behalf of a concept of utopian world rule, or imperialism, which led the United States, more or less, to disaster. In Korea, we still have troops there after 50 years. In Vietnam, we lost an immoral war. In Panama and Iraq I, we laid waste to two countries in order to "teach a lesson," thereby producing a lot of death and destruction in the countries involved. In Iraq II, the fraud of the so-called justification for the war is abundantly clear, both in terms of the lack of threat represented by the Saddam Hussein regime, and in terms of the clear imperial objectives of the U.S. preemptive war policy.

In this light, it is of value to go back a little more than 60 years, to President Franklin Roosevelt's Eighth Annual Address to the U.S. Congress, which occurred on Jan. 6, 1941. This speech has been dubbed the "Four Freedoms" speech, because here FDR outlines a broad outline of the objectives of U.S. foreign policy, even as he put the nation on a military-industrial mobilization to aid in preventing a global victory by the Nazis and Japan. The objectives FDR laid out remain valid today, and contrast mightily—especially in practice—with those the current Administration seeks to implement today.

Consider the strategic situation in January 1941. Nazi Germany, by that time, had occupied a large portion of Europe: Poland, Austria, Czechoslovakia, Denmark, Norway, the Netherlands, and Belgium, to give a partial list. France had come under a government friendly to the Hitler, which came to an armistice, under pressure of German arms, and Britain was coming under Nazi bombardment. Italy, under Mussolini, was Hitler's ally. In the Pacific, the fascist Japanese government was at war with China and had occupied Vietnam.

To say that the United States as a democracy, was threatened by the military advance of fascist states, was clearly no exaggeration.

In this context, FDR came to an understanding with British Prime Minister Winston Churchill, over the need for the two nations to collaborate against what would otherwise easily become a New World Order, under a Nazi-Synarchist dictatorship. And the President began to prepare the United States population for the need to join the war against the fascist military threat. It is in this context that he gave his "Four Freedoms" speech, which dealt with the domestic and foreign policy outlook of his Administration, and put forward the following perspective in its conclusion:

"The nation takes great satisfaction and much strength from the things which have been done to make its people conscious

of their individual stake in the preservation of democratic life in America. Those things have toughened the fiber of our people, have renewed their faith and strengthen their devotion to the institutions we make ready to protect.

"Certainly this is no time for any of us to stop thinking about the social and economic problems which are the root cause of the social revolution which is today a supreme factor in the world.

"For there is nothing mysterious about the foundations of a healthy and strong democracy. The basic things expected by our people of their political and economic systems are simple. They are:

"Equality of opportunity for youth and for others.

"Jobs for those who can work.

"Security for those who need it.

"The ending of special privilege for the few.

"The preservation of civil liberties for all.

"The enjoyment of the fruits of scientific progress in a wider and constantly rising standard of living.

"These are the simple, basic things that must never be lost sight of in the turmoil and unbelievable complexity of our modern world. The inner and abiding strength of our economic and political systems is dependent upon the degree to which they fulfill these expectations.

"Many subjects connected with our social economy call for immediate improvement.

"As examples:

"We should bring more citizens under the coverage of old-age pensions and unemployment insurance.

"We should widen the opportunities for adequate medical care.

"We should plan a better system by which persons deserving or needing gainful employment may obtain it.

"I have called for personal sacrifice. I am assured of the willingness of almost all Americans to respond to that call....

"In the future day, which we seek to make secure, we look forward to a world founded upon four essential human freedoms.

"The first is freedom of speech and expression—everywhere in the world.

"The second is freedom of every person to worship God in his own way—everywhere in the world.

"The third is freedom from want—which, translated into world terms, means economic understandings which will secure to every nation a healthy peace-time life for its inhabitants—everywhere in the world.

"The fourth is freedom from fear—which, translated into world terms, means a worldwide reduction of armaments, to such a point, and in such a thorough fashion, that no nation will be in a position to commit an act of physical aggression against any neighbor—anywhere in the world.

"That is no vision of a distant millennium. It is a definite basis for a kind of world attainable in our own time and generation. That kind of world is the very antithesis of the so-called new order of tyranny which the dictators seek to create with the crash of a bomb.

"To that new order we oppose the greater conception—the moral order. A good society is able to face schemes of world domination and foreign revolutions alike without fear.

"Since the beginning of our American history, we have been engaged in change—in a perpetual peaceful revolution, a revolution which goes on steadily, quietly adjusting itself to changing conditions—without the concentration camp or the quick-lime in the ditch. The world order which we seek is the cooperation of free countries, working together in a friendly, civilized society.

"This nation has placed its destiny in the hands and heads and hearts of its millions of free men and women; and its faith in freedom under the guidance of God. Freedom means the supremacy of human rights everywhere. Our support goes to those who struggle to gain those rights or keep them. Our strength is our unity of purpose.

"To that high concept there can be no end save victory."

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