EIR
Executive Intelligence Review
July 2, 2004 Vol. 31 No. 26 www.larouchepub.com $10.00

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Exposé Says Israel Out To Blow Up Southwest Asia
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The Failed State Of Continental Europe

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LYNDON H. LAROUCHE, JR.

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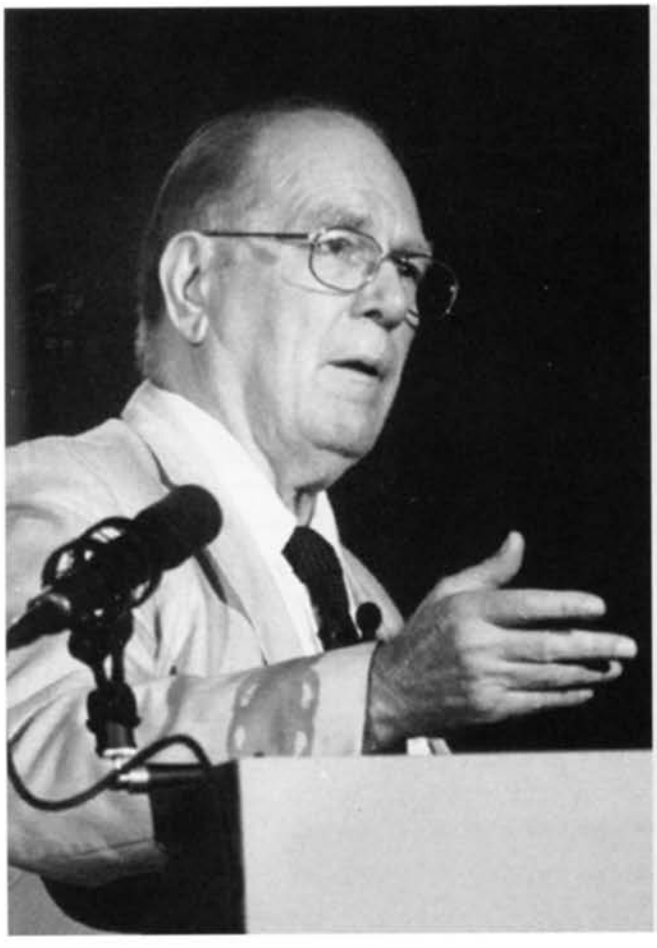

VIDEO WEBCAST

Thursday, July 15, 2004

1:00-5:00 p.m. Eastern Time
12:00-4:00 Central Time
11:00-3:00 Mountain Time
10:00-2:00 Pacific Time

The New Threat of Fascism Today

In his invitation to the webcast, candidate LaRouche wrote, "Now, that we might hope that Vice President Dick Cheney and his neo-conservatives are apparently, at last, on the way out, the remaining, new great strategic threat to the U.S.A. today, is currently radiating from Liberal Britain's infamous Fabian Society." Under this circumstance, the task facing the Democratic National Convention is to bring to power a new President on the model of Franklin D. Roosevelt, and a coalition of the best traditions of our two major parties, as the FDR coalition expressed this.

To get in touch with LaRouche's Presidential Campaign, call
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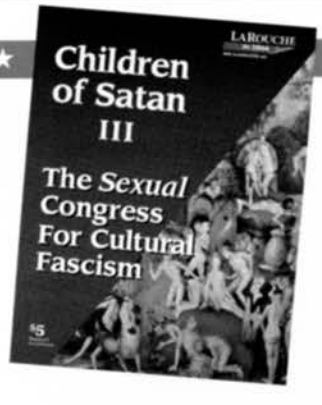

Paid for by LaRouche in 2004.

EIR (ISSN 0273-6314) is published weekly (50 issues), by EIR News Service Inc., 217 4th Street, S.E., Washington, DC 20003. (202) 543-8002. (703) 777-9451, or toll-free, 888-EIR-3258.
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Postmaster: Send all address changes to *EIR,* P.O. Box 17390, Washington, D.C. 20041-0390.

EIR

From the Editors

Now that Lyndon LaRouche has done what all the Washington "insiders" said couldn't be done, and thrown Dick Cheney on the ropes, there is every reason for optimism that the next essential task can also be carried out: to break open the Democratic Party convention to listen to LaRouche's leadership. The Democrats must be saved from the Copperhead faction that is responsible for the pathetic "me, too" campaign of Sen. John Kerry. The world desperately needs inspiring leadership, from a post-Bush, new administration which is cast in the memory and spirit of Franklin D. Roosevelt.

As LaRouche writes in an invitation to his July 15 campaign webcast: "Should a November election victor with those qualities not be selected, the spread of a new London Liberal Imperialist fascist tyranny controlling the European Union, would take an increasing role in leadership in world affairs, as the rise to power of Mussolini and Hitler had already virtually ensured that fascist takeover of a continental Western and Central Europe leading into World War II by the time of FDR's inauguration. This danger is to be recognized as merely typified by the influential role of frankly fascist and imperialist Robert Cooper's and the 'Euro-Socialists' ' dogma within the European Union now."

Our *Feature* lays out that danger of European fascism today. Included is a profile of Robert Cooper, and a report on how the European developments are viewed from Russia. Most interesting are the remarks of former Prime Minister Yevgeni Primakov, which resonate with what LaRouche has to say.

The devastating effect that the synarchist/fascists are having in Ibero-America, through the banks that have looted the continent to the bone, is spelled out in Dennis Small's report in *Economics.*

Ed Spannaus provides a shocking overview of the Bush Administration's "torture memos"—and how they compare to Adolf Hitler's orders to his armed forces in 1941. Spannaus confronted John Yoo, author of several of the memos, at a conference in Washington on June 24. Showing the similarity between Yoo's instructions and Hitler's, Spannaus asked, "Do you feel any regret or remorse for having brought this kind of shame upon the country, and endangering our military?" Yoo could muster no reply.

Cheneyacs, beware: We have you on the run!

Susan Welsh

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British Prime Minister Tony Blair (right) shows French President Jacques Chirac the Liberal Imperialism trick.

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The Failed State of Continental Europe

by Lyndon H. LaRouche, Jr.

June 22, 2004

Excepting the deliciously painful message which Britain's voters sent to U.S. Vice-President Dick Cheney's liberally imperialistic accomplice, British Prime Minister Tony Blair, the most recent round of elections in Europe had been a collection of travesties on the way to becoming a continental tragedy. The name of that ill-fated political minestrone now being cooked on the continent, is the enlarged, would-be imperial European Union. The not-so-many Europeans who turned out for those elections, have apparently decided to protect their sovereignty from U.S. arrogance, by the curiously clever method of destroying their own nations' sovereignty, as a way of preventing President George Bush from stealing it.

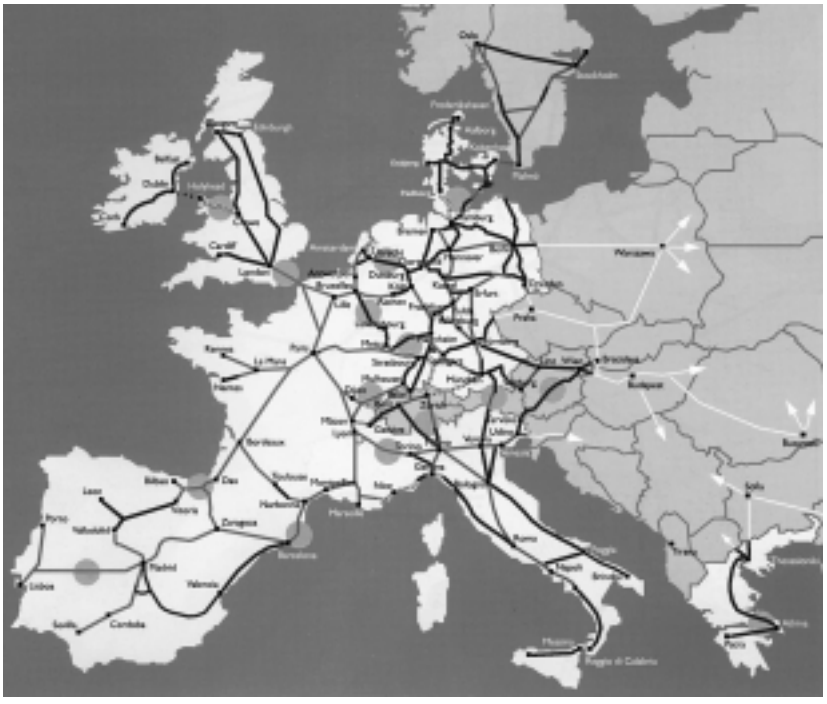
I did not exaggerate the case in the slightest degree when I warned, this past weekend, that, under a continuation of its present policy-drift, western and central Europe may be on the way toward becoming a basket-full of what British agent Robert Cooper has defined as "failed states." The evidence supporting such a conclusion, is as massive as it is appalling.

The cutting edge of this new menace to civilization is a virulent European anti-Americanism which has been stoked into the fervor of a lunatic obsession among increasing portions of the relevant European policy-influencing strata. The idea among European Liberal Imperialists (e.g., "Euro-Socialists") of that inclination is to hope for the collapse of the U.S.A., establishing their own hodge-podge of failed national sovereignties as an imperial power, intending to reap the harvest of destroying the sovereignties and looting the territories and people of what had once been the Eurasian territory of the Soviet Union.

In fact, however, this new turn in the politics of continental Europe, was crafted and deployed from Britain, chiefly by such agents of the the Liberal Imperialist government of Prime Minister Tony Blair, as Robert Cooper. Cooper is an intimate of the same Blair circles as the notorious Dick Cheney crony, Baroness Liz Symons, and also her husband, also recently of 10 Downing Street notoriety, Phil Barret.

These British circles, who have promoted this suicidal, post-modernist plan for the European Union, have, of course, planned, as usual, to keep Britain safely out

1994: European Union Projects



Unimplemented: the 1994 European Union outline of new transport corridors joining western and eastern Europe. The EU should have prepared for its current expansion by constructing new roads, highways, and railroads, but that did not happen at all. Now, LaRouche warns, a European faction with anti-American empire pretentions, is "already moving toward looting the populations of both the smaller nations of eastern Europe and the full extent of Russia and Kazakstan, all the way east to the Pacific Ocean."

of the target-area of doom which such a policy would assuredly mean for continental western and central Europe. The British motive for inducing continental Europe to ruin itself, is simply a new continuation of London's foreign policy since that Paris Treaty of 1763 which established a private firm—the British East India Company—as the world's leading imperial power of that time; the policy of a King Edward VII who put his nephews, Germany's Kaiser and Russia's Czar, at one another's throats for the war which ensued in 1914.

The threatened continental tragedy is a convergence of a potentially hopeless general economic collapse, with the risk of generalized warfare inherent in the liberal imperialist lurching of the intended imperial Europe Union against Russia and other points east. Russian President Putin's recent, ominous, if muted warnings, were not unprovoked.

The essential elements of these breaking developments in Europe now, are presented in the following elements of this *EIR* Feature. In this introduction, I limit myself to merely identifying the two most crucial points presented and developed in the subsequent portions.

1. The European Union As a War-Risker

The source of the danger of new general warfare is not, as some programmed ideologues insist, rivalries among sovereign nation-states. Since Greece's Persian wars, since Athens' folly in launching the Peloponnesian War, since the Roman Empire whose existence was based on perpetual warfare, and since the medieval system of imperial *ultramontanism* conducted by the alliance of Venice with the Norman chivalry, the chief cause of all warfare has been those empires devoted to enabling the few to degrade the many to the condition of hunted or herded human cattle. The chief cause of modern warfare, since the closing decades of the Europe's Fifteenth Century, has been the imperial intentions of such as the Venetian financier oligarchy's chosen instruments, first the Habsburgs, and later the Anglo-Dutch Liberals' British East India Company's empire, founded at the Paris Treaty of 1763.

Ever since Britain's establishment of its de facto empire, by the 1763 Treaty of Paris, the chief strategic concern of the imperial British monarchy, has been to eliminate the tradition of the American Revolution of 1766-1789, and to play the nations and peoples of the European continent against one another in ways such as wars, to ruin them, and prevent them from becoming an effective force of resistance to the imperial rule of the Anglo-Dutch Liberal system of financier-oligarchical interest.

It is chiefly for this reason, that the rise of global monetary-financial crises, such as the present one, coincides with new eruptions of the relatively most terrible wars. Therefore, unless we change the world's monetary-financial system, now, back to the model set by U.S. President Franklin Roosevelt's version of a Bretton Woods system, we are trapped in an era of conflict which might even plunge all civilization

on this planet into a global new dark age, whether present governments intend that result, or not. That was the way World War II happened; that is key to understanding the global threat to civilization expressed by current trends toward a post-nation-state form of political minestrone, the expanded European Union. Economy is not the cause of warfare; but rather, a failed economy, such as the 1971-2004 floating-exchange-rate system, creates the conditions of conflict under which the worst wars have been launched.

Therefore, we see on the horizon, the palpable signs of danger of even a nuclear war engaging western Europe and Russia, a war prompted by interests behind the European Union, which are already moving toward looting the populations of both the smaller nations of eastern Europe and the full extent of Russia and Kazakstan, all the way east to the Pacific Ocean. Russian culture does not permit submission to the extinction of Russian culture, by such means as that. Meanwhile, an already bankrupt western Europe's desperate need for some place to loot on a sufficient scale to keep western Europe from virtual collapse, impels today's followers of the ideology of Nazi financial czar Hjalmar Schacht, to look toward Russia as the Nazi empire did.

2. The Post-Nationalist European Union As a Case of Economic Lunacy

The ability to sustain a world population of as much as one billion living persons, depends upon two revolutions in statecraft made since Europe's Fourteenth-Century plunge into a New Dark Age. The first, was the founding of the modern sovereign form of nation-state by the Fifteenth-Century, Florence-centered Renaissance. The second, was the close of a Venice-orchestrated wave of religious and related warfare led by the Hapsburg empires, a peace finally secured by the 1648 Treaty of Westphalia. All major wars since the Treaty of Westphalia have erupted as a product of the British Empire's determination not to allow the continued existence of any plausible threat to Britain's imperial power from the continent of Europe. This is what Blair agent Robert Cooper's role is, in pushing the suicidal policies being spread as an imperial doctrine for an expanded European Union today.

The rise of European civilization, from an also-ran to a great power, beginning the Fifteenth Century, was the Renaissance's repudiation of the imperial tradition under which some people used many people as either hunted or herded human cattle. Under the influence of such leading geniuses of that Renaissance as Cardinal Nicholas of Cusa of ***Concordantia Catholica*** and ***De Docta Ignorantia*** fame, a doctrine of natural law of statecraft emerged, admittedly over strong imperialist objections from Venice's financier oligarchy and the Habsburg dynasty. This body of natural law required that governments rule nations in the interest of protecting the continuing improvement of the general welfare of all of the people and their posterity.

The seeds of the modern nation-state economy, as planted in Louis XI's France and Henry VII's England, developed systems intended to promote useful inventions, and investments in new, improved forms of physical capital investments. This was done despite the evil Inquisition and the religious and kindred coups d'état and wars of 1511-1648, which Venice's financier oligarchy arranged through, chiefly, the instrumentalities of the Hapsburg houses of Spain and Austria during that period. In the history of modern economy since, there have been only two general methods by which nations and their populations have been enriched: looting other nations and people, as by the Anglo-Dutch Liberal system of imperialism; or by protectionist measures in the American tradition, which include the maintenance of the fair prices needed to sustain fair income levels of family households, and secure long-term investments in capitalized improvements in scale and quality of production of wealth.

The wisdom of this American arrangement was reaffirmed by U.S. President Franklin Roosevelt's role in the design of the post-World War II Bretton Woods system. This was a system of fixed-exchange rates and fair-trade provisions, which was designed to promote the reconstruction of the world's economy in the aftermath of that war. Until changes introduced after the assassination of U.S. President John F. Kennedy, especially the 1971-72 wrecking of the world monetary system by the U.S. Nixon Administration's George Shultz et al., the leading industrialized nations of the world enjoyed a general trend of improvements in the standard of living of their people, and a substantial accumulation of useful physical capital improvements.

The beneficial Bretton Woods system, as opposed to John Maynard Keynes' imperialistic, monetarist alternative, was a reflection of President Franklin Roosevelt's informed commitment to the legacy of that American System of political-economy which had been defended by the President's ancestor and Alexander Hamilton ally, New York banker Isaac Roosevelt. The common enemy of both Hamilton and Isaac Roosevelt had been Aaron Burr, the traitor who had founded the Bank of Manhattan in the British interest, who was an agent of the British Foreign Office's Jeremy Bentham.

Economic Recovery Through Modern Nation-States

The ruined state of the economies of the Americas and of Europe today, is chiefly an outgrowth of those changes in the policies of the U.S.A., the U.K., and their continental Europe imitators over the initial period of 1964-1972, from the turn toward a "post-industrial" culture and the willful wrecking of the Bretton Woods system. Thus, the Americas and Europe

have now reached the point—after a forty-year-long turn away from the policies on which the post-war economic recovery had depended, to a state of currently rampaging global hyperinflation in financial derivatives and other intrinsically worthless instruments—at which an imminent general economic breakdown of the world's present monetary-financial system is inevitable. Only ignorant people, or mentally deranged political-party leaderships of the Americas and Europe, could still doubt that now.

The nature of the reforms required for a recovery from this general breakdown crisis, is well defined by excellent historical precedents, such as those led by President Franklin Roosevelt, the precedents which defined the progress of 1933-1963. The source of the presently greatest danger to civilization is not the monetary-financial crisis itself. We can put failed systems into government-directed reorganization in bankruptcy. The danger is that we will fail to take such remedial actions in a timely fashion, or that we might launch the berzerker form of economic-cultural lunacy rampaging throughout continental western and central Europe today: methods best calculated to remove the disease by killing the patients.

All of those remedies for this crisis which are both possible and tolerable, depend upon using the intrinsically lawful powers of the modern form of sovereign nation-state for protectionist measures.

Specifically, there will be no improvement in the physical conditions of life among people in western and central Europe today, without a massive influx of new, state-created capitalized credit, to bring employment, and scale of wages, up to levels at which national and regional incomes more or less match current-account costs and expenses. The initial bulk of this increased employment must be expressed as long-term improvements in basic economic infrastructure. The stabilization of the national economies through such publicly-funded public employment, creates the general economic climate for fostering, chiefly, a recovery and expansion of the small and medium-sized, closely-held forms of technological-progress-oriented agriculture and industry. This latter requires an assured supply of lendable credit through government programs operating through the national and private banking facilities.

This requires prime interest rates for long-term investment in these combined public and private growth programs, at between 1-2% simple-interest rates per annum. It is also required that anti-inflationary measures must be established and maintained which ensure that long-term capital investments so generated will be fungible at pre-set, low interest-rates, during both the half-life and full-life of projected maturities.

Without the institution of sovereign nation-states which function under the natural law principle of the general welfare, such capital formation, such economic recovery from the present world depression, were not possible.

The Trojan Horse of a 'Free Trade' Empire

If a so-called "free market" principle is prevalent throughout the territory designated to be part of, or colonial subjects of, the expanded, virtually stateless European Union, the price of goods and incomes will fall toward "fourth world" levels throughout those regions, while the coming generations of people in those regions will become virtually imbeciles, relative to the levels prevalent in the same regions today. Pensions, health-care insurance, and so on, will be terms dropped from vocabularies in use. Most people will be homeless migratory masses, with the actually used polyglot vocabularies in practice falling to levels of between fifty and seventy-five words, and phrases such as "Me want." Hence, all of the affected territory, which might therefore be described by future political-economists and historians as "the blob," will be truly an utterly failed state of mankind.

The nearest approximation of a European historical precedent for what I have described, would be Europe's Fourteenth-Century New Dark Age. A second case is the relative dark age of the interval of Hapsburg-led religious and kindred warfare of the 1511-1648 interval. However, we, in the U.S.A., and in Europe, do have a choice. We could avoid the worst of the horrors now descending, if we came to our senses, and applied the lesson of the recovery of the U.S. economy under Franklin Roosevelt's leadership.

The principle which we must recognize as at work in the global tragedy building up at an accelerating rate today, is a principle which we should have learned from study of mankind's earlier great tragedies.

Most tragedy occurs as a result of people's reacting to a challenge according to principles to which they had become habituated, as virtually "self-evident" axioms, such as the lunatic "axiom" which assumes that the "free trade" doctrine which has ruined our economy, increasingly, over the post-Kennedy decades, is actually "good for you."

Most people, including most heads of state today, live mentally within the confines an acutely neurotic, or worse, "fish-bowl" mentality. They are ruled by certain assumed traditions, of which they may or may not be conscious, which divide the world they experience, between those actions they are allowed to take within the bounds of those axioms, and those physically feasible alternative actions which their, or our own assumed beliefs will not permit us to employ.

All Classical tragedy, all collapse of once-mighty nations, are the fruit of the folly of swimming in a mental fish-bowl of folly, from which no force other than habituated belief will prevent the victim from escaping to safety.

The idea of an expanded European Union as widely proposed by Britain's agent Robert Cooper and others today, is a such a fish-bowl, one which London has delivered to Europe, as the Greeks gave the Trojan Horse to Troy. The Trojans swallowed the bait, and, so, apparently, have all too many leading continental Europeans.

The 'Uro-Socialism' Threat to the U.S.A.

by Lyndon H. LaRouche, Jr.

Released by the LaRouche in 2004 campaign committee on June 19:

Any attempt to define a competent national security doctrine for the U.S.A. now must take into account the threat to Trans-Atlantic civilization represented by the rapid emergence of some Europeans' ideas for which the gentlest possible of appropriate technical terms, is "a comic-opera farce": a new, secular, and frankly lunatic echo of medieval ultramontanism in Europe: a London-steered, frankly imperialist, and implicitly fascist, anti-American cult parading under such banners as "Euro-socialism."

The admittedly bad recent behavior of the U.S. did not create this problem, although Lynne Cheney's connections to the Liberal Imperialist British government of Tony Blair are relevant parts of the picture. Nonetheless, the blame for assisting the spread of this London-directed psychosis inside continental Europe, is to be found among the side-effects on the European mind which have been fostered by a too long toleration of the antics of the frankly lunatic, current Bush-Cheney regime, as tolerated by the institutions of the U.S.A. itself. The guilt for this includes the role of the corrupt elements, such as the recently, once again ranting-and-raving, mad, far-right-wing war-monger, Senator Joe Lieberman, within the leadership of Terry McAuliffe's U.S. Democratic National Committee.

Overall, what the U.S.A. has done, or tolerated among its own leading political circles, during the recent years, especially since President George W. Bush, Jr.'s January 2002 State of the Union address, was as much as was needed to drive an increasing number of continental Europeans, and some others, over the edge into madness. We did not create the idea of a secular ultramontanist notion of an imperial European Union, but we have not prevented our government from driving some of the more fragile minds among influential and other Europeans over the edge, into the state of madness expressed from within growing, Euro-Socialist-centered circles in continental Europe today.

The notable characteristic of this current "Euro-socialism"-linked fad of moral decay among continental European circles, is the delusion that that design for a "Tower of Babel," an "enlarged" (in the prostate sense) European Union of reduced reproductive potential, will come to represent the means for establishing an effective, long-lasting triumph of revenge over Bush-Cheney insolence.

Such a wet dream of those European Union fanatics, however pleasing they may find it momentarily, will never be productive; but it can make a terrible mess of what remains of Europe today, and could contribute greatly to the risk of setting off a chain-reaction of effects contributing to bringing a protracted new dark age upon humanity generally. Several of the most ominous threats from this source are to be noted here.

The Threat to the Americas

On the continent of Europe, the leading edge of this political cancer, this contemporary caricature of medieval anti-nation-state ultramontanism, is represented by the so-called "Euro-Socialists," which are, in fact, a subsidiary of the British Liberal Imperialist circles associated with the current 10 Downing Street of Prime Minister Tony Blair and of such among his nastier notable Fabian accomplices as Baroness Liz Symons. However, a variant of the same mental disorder is also reflected in the Euro-Socialists' de facto accomplices among certain nominally, sometimes explicitly, fascist Catholic circles whose network spreads from Italy into parts of Central and South America, including the frankly feudalist ultramontanism of such as those lunatics dreaming, still today, of a miraculous restoration of the Spanish Empire of the Grand Inquisitor and Hapsburgs, including all of the American territories once claimed by that royal house.

The Threat of Nuclear Warfare

We should also take note of the deadly implications of a clearly expressed intent among these foolish admirers of an imperial destiny for a European Union. The greedy intent of these fools, in a way already correctly perceived among relevant Russians, is to colonize, loot, gobble up, and enslave what remains of the former territory and people of the Soviet Union. This predatory lusting is featured prominently among the noble predatory zeal of the converts to the cult of this would-be new European Union version of a "Tower of Babel." The toleration of such a lunatic ambition among the liberal Euro-Socialist ultramontanists, puts a sharpened thermonuclear edge on the already existing, growing prospect for global asymmetric warfare as the not-too-distant future of, in particular, Eurasia as a whole.

Unfortunately, fanatics such as these Euro-Socialist imperialists, are, like Adolf Hitler, not the sort who would let little things such as reality, spoil their ideological devotions. The "Triumph of the Will" fanaticism of the hard-core converts to the ultramontanist goals for Euro-Socialist ideologues today, is such that their retort to the warnings that their project is insane, will be: "So what? If we go to Hell, we will take you with us." You think that would never actually happen? Do not fool yourself so; Hitler continued the war past the point, during 1942, when it was already, correctly evident, even to circles of Hermann Goering et al., that Hitler's ongo-

British Prime Minister Tony Blair (left) continues the Liberal Imperialist outlook of Lord Shelburne et al., in luring the continental Europeans into "the view of the enlarged European Union as a wet dream of anti-American fantasy-life."

ing war was already lost in principle, after Stalingrad and Midway. The observable, maddened flight from intellectual rigor among today's leading intellectual advocates of an ultramontanist's European Union, when closely considered, shows that they are no saner, no less fanatical in such respects, than the Nazi ideologues before them.

I have encountered the spread of other expressions of this particular form of corruption on the edges of some circles, in Europe, as in Mexico, Venezuela, Brazil, and Argentina, which had associated themselves with me in the past, but have subsequently chosen a morally defective, neo-feudalist imperialist orientation today. The links of these developments to providing a basis for terrorist activities within the Americas, are part of the general strategic threat of forms of warfare. My counterintelligence investigations into those cases of moral decay, have been helpful in discovering essential facts about the "Uro-Socialist" streams from which such currents flow to pollute the gutters of world politics.

Blair's London Runs Them

The determining feature of this new ultramontanist attempt to uproot the institution of the sovereign nation-state, is to be recognized as a continuation of the same methods by which the Anglo-Dutch Liberal imperialism of the British East India Company was established by the 1763 Treaty of Paris.

As I have presented this history lesson earlier, this was the policy associated with the overreaching influence of the notorious Lord Shelburne, who was the first to codify the notion of an Anglo-Dutch Liberal form of a British empire. Since that time, the methods used by London in orchestrating the so-called "Seven Years' War" concluded at the 1763 Paris Treaty, have been used repeatedly by London, with similar intent, to similar effect: to turn the nations of continental Europe into mortally squabbling fools, as a means for promoting and defending the Venice-style financier hegemony of the Anglo-Dutch Liberal interest. Such were the British intentions in orchestrating the French Revolution of 1789-1794, the Napoleonic Wars, and the two World Wars of the last century.

Today, the British Liberal Imperialist outlook of Shelburne et al., is continued by the Fabian Society's Liberal Imperialist tradition of H.G. Wells, Bertrand Russell, et al., all the way down, down, down to Blair, Cheney crony Symons, et al.

In short, those continental Europeans lured into the view of the enlarged European Union as a wet dream of anti-American fantasy-life, are once again proving some people on the continent to be the species of great fools the Anglo-Dutch Liberals have made, repeatedly, of continental Europeans, over preceding centuries. The only way to understand such continental European propensity for becoming dupes, over and over again, is to think of the ideological implications of the concluding performance by the actor playing the role of the Professor, in the film featuring Marlene Dietrich, "The Blue Angel." Think of the proposed European Union rock-opera-style remake of that film as appearing under the title of "Uro-Socialism."

U.S. Security Interests

Meanwhile, we must hope to help save Europe from the grip of such babbling mass-insanity. It really does need saving, and that urgently, considering the trends of the most recent several months. This psychotic fad of Euro-Socialist anti-Americanism, must be put into custodial safekeeping now, before the effects become irreparable. We in the U.S.A. have a deep moral responsibility, to pay for our nation's recent sins, especially those of the Bush-Cheney regime, by taking steps to ensure that that correction in both Europe's outlook and the improvement of its people's life-expectancy, occurs now.

An affirmation of the proper common goals of globally extended European civilization, as such goals were variously stated and implied by a pre-Truman, Franklin Roosevelt Presidency, is the urgently needed adoption of a common perspective and common cause, by the U.S. and Europe, including equal Russia's partnership, today. Anything, from inside the U.S.A., or outside, which threatens the prospect of the partnership dedicated to what must become the common aims of mankind, is to be regarded as of no less rank in importance than a political threat to the most vital long-term, Constitutional interests of the U.S.A. itself.

Britain's Cooper Promotes Imperial EU

by Mark Burdman

One of the mortal threats facing the continent of Europe, is the fact that the leading British propagandist for "liberal imperialism," Robert Cooper, now occupies a strategically crucial position in the European Union structure. Since May 2002, Cooper, one of Britain's most senior diplomats, has been Director-General of External and Politico-Military Affairs for the Council of the European Union (EU), and is a chief advisor to EU foreign policy spokesman Javier Solana.

Cooper's assumption of this post is key to the British move to steer continental European policies in an imperial direction. It also indicates the powerful influence on the continent, of synarchist syndicates, supranational financial interests, operating through former Nazi SS officer Dutch Prince Bernhard's Bilderberg Group and related entities, equally committed to imperial policies.

Cooper has been hyperactive on the European scene, featured at conferences at Britain's exclusive Wilton Park center, at the Aspen Institute-Berlin headed by leading American neo-conservative propagandist Jeffrey Gedmin, and elsewhere.

Cooper's writings expose him as a bestialist promoter of the ideas of 17th-Century British philosopher Thomas Hobbes. He is opposed to the core humanist ideas of European civilization, as developed for the modern era in the 15th-Century Golden Renaissance. His ideas for the EU ensure the collapse of areas inside the EU structure, as well as in the areas contiguous to the EU, to the status of "failed states"—i.e., into the general chaos against which Cooper supposedly polemicizes. This paves the way for fascism in Europe.

Similarly, on the global scale, with his division of the world into "zones of order" and "zones of chaos," he sets the stage for a generalized descent into a new dark age.

Cooper generates strong negative reactions from saner elements in Britain and continental Europe. A leading foreign policy expert in Britain, opposed to the Blair entourage, denounced Cooper as a "fool and idiot," and insisted that "his ideas for a new imperialism must be resisted at all costs. His division into chaos and disorder is simply a new way of expressing Rudyard Kipling's attack on 'lesser breeds,' in a new way." A usually mild-mannered Rome political strategist described Cooper as "completely crazy."

Imperialism, IMF, and Globalization

The May 2002 date of Cooper's assuming the EU position is notable, as a few months before, in October 2001, in the immediate aftermath of 9/11 he had catalyzed an intense discussion in Britain and elsewhere about moving toward a "new imperialism." The catalyst was his article, in the October 2001 edition of the trend-setting British Establishment monthly *Prospect,* entitled "The Next Empire," in which Cooper wrote that "all the conditions seem to be there for a new imperialism." As *EIR* featured at the time, this article provoked numerous articles in British publications, jumping on the "new imperialism" bandwagon (*EIR,* Nov. 9, 2001).

Precisely at the moment Cooper was thus being propelled into the limelight, he was seconded, on Oct. 22, 2001, from the post of Prime Minister Tony Blair's special foreign policy advisor to the Foreign and Commonwealth Office, to be Britain's special envoy to Afghanistan and neighboring regions of Eurasia. In his Cabinet Office position, working out of the public view, he had been an inspiration for Blair's notorious Spring 1999 "liberal imperialist" speech in Chicago, delivered in the time-frame of the Kosovo War, where Blair espoused a new era of global interventionism, supposedly on "humanitarian" grounds.

According to several British sources, Cooper has developed close relations to Baroness Liz Symons—the Foreign Office, Fabian Society-linked British figure at the center of dirty tricks activity against Lyndon LaRouche internationally (see "The Bizarre Case of Baroness Symons," *EIR,* June 25, 2004). One senior British source, a staunch Atlanticist, asserted that Symons and Cooper "work together as a team; they are both intimates of Tony Blair." A second British insider said that "they are in regular touch with each other, and, from my understanding, meet regularly. They are both central figures in the 'Blair project.' "

In his *Prospect* article, Cooper enumerated the various empires that have existed since ancient times, and wrote that "all of this suggests that the history of the world is the history of empire. . . . Compared with empire, the nation-state is a new concept; the small state began to emerge with the Renaissance, and the nation became a major political factor only in the 19th century. . . . The non-existence of empire . . . is historically without precedent. The question is whether this can last. There are both theoretical and practical reasons for thinking that it won't. . . ."

He went on to cite three phenomena that were emblematic of the current trend toward the "new imperialism": the International Monetary Fund (IMF), globalization, and the European Union. He lauded IMF "interference in domestic affairs," as similar to Anglo-French colonial control of Egyptian finances in the 1870s. The IMF-focussed system, he wrote, would be the core of what he called "the imperialism of globalization."

Of course, by so writing, he avoided the obvious point, that IMF austerity/"conditionality" policies foster the descent

EU foreign policy advisor Robert Cooper is the chief propagandist for the European "liberal imperialist" faction of Prime Minister Tony Blair, which operates in tandem with U.S. Vice President Dick Cheney and his neo-conservative clique. Here, Blair and Cheney at Blair's 10 Downing Street residence in London.

of states into chaos and barbarism, as can most graphically be seen, now, in the case of Argentina.

He concluded by recommending that the EU evolve into a new "cooperative empire" that would be "like Rome."

'Imperial Expansion'

Soon thereafter, Cooper was given scope to realize his recommendation, when he assumed his EU posting. In his 2003 book, *The Breaking of Nations: Order and Chaos in the 21st Century* (New York: Atlantic Monthly Press), he wrote: "The most far-reaching form of imperial expansion is that of the European Union. . . . The post-modern European answer to threats is to extend the system of co-operative empire ever wider."

By "post-modern," Cooper means two things. One, on the economic-cultural side, a "post-modern state" is characterized by, in his words, "the post-industrial service economy" and "consumerism." In the real world, outside the fantasies nurtured by Cooper, states ruled by such values are economically and culturally unsustainable, and must devolve into chaos, under conditions of a generalized economic and financial crisis, of the type that is now unfolding. Expanding such a system "ever wider" is a key-and-code expression for looting outlying regions, as sources of raw materials and cheap labor. It is no wonder that the Russian leadership is viewing the process of EU expansion with horror.

The Schachtian-fascistic content of what he is espousing, is contained in the following astonishing assertion: "It is striking that monetary integration [in the EU] has been achieved precisely by removing monetary policy from the hands of politicians and handing it over to the technocrats." This gets to the core of Lyndon LaRouche's warnings about the danger of the "independent central banking system" in Europe, whereby sovereign governments completely lose control over the issuance of money and credit, and the general direction of financial and economic policy. This makes it impossible for governments to respond to economic crises, by mobilizing nations behind anti-Depression policies, along the lines of what President Franklin D. Roosevelt launched for the United States, in the 1930s. Indeed, what Cooper is espousing, has been codified in western, and more recently, central Europe, with the Maastricht and "stability pact" agreements of the early- to mid-1990s.

'The Laws of the Jungle'

By "post-modern," Cooper also means "post-nation-state," or "post-Westphalian," a reference to the great 1648 Treaty of Westphalia that brought a close to Europe's Thirty Years War and longer-standing religious wars. To this end, he makes the ludicrous claim that the Treaty of Westphalia brought about the "balance of power" in Europe, which itself was the cause of post-1648 wars in Europe, since the balance of power "is a system where wars are waiting to happen." He perpetuates the mythology, that it is the existence of sovereign nation-states that is the driving force for wars. In reality, the "balance of power" has been a constant *British imperial* policy, to keep the European continent disunified, and in a constant state of conflict.

Cooper sees the balance of power operating in Asia, in the relations between India and China, and foresees future conflicts resulting from this. At one point, he puts forward the idea that the EU should emerge as a balance to the United States and China. The biggest danger posed by Cooper, is his axiomatic claim that the world today is divided into "zones of order" and "zones of chaos," the latter "failed states" like Liberia, Somalia, Afghanistan, and so on. At one point, referring favorably to Harvard's Prof. Samuel P. Huntington, author of *Clash of Civilizations,* he wrote that the world is divided into "Them and Us."

Cooper wrote: "When dealing with old-fashioned kinds of state outside the postmodern limits [!], Europeans need to revert to the rougher methods of an earlier era—force, preemptive attack, deception, whatever is necessary for those who still live in the nineteenth-century world of every state

for itself. In the jungle, one must use the laws of the jungle. . . . It was not the well-organized Persian Empire that brought about the fall of Rome, but the barbarians."

He continued: "The difficulty, however, is in knowing what form intervention should take: the most logical way to deal with chaos is by colonization. If the nation-state has failed, why not go back to an older form—empire?" I.e., "post-modern" equals "imperial."

One vehicle for this imperial policy (as in his *Prospect* article) is the IMF-World Bank system, the "programmes of assistance" of which, he calls "a limited form of voluntary empire," similar to what was done in 1875 during the Egyptian financial crisis, when the British-French oversight over Egypt's finances resulted in the Egyptian government's overthrow, "as sometimes happens with IMF programmes too"; 31,000 British troops were sent in, "to restore order and good government." Today, the IMF would "renegotiate."

Preventive War and British Geopolitics

It is not surprising, in this context, that Cooper fully backs up the Iraq War, using sophistical-Cheneyesque argumentation, to claim that Iraq represented a threat in potentially having nuclear weapons, with the only "proof" presented, being that Gulf War I—more than a decade earlier, and before Iraq underwent crippling sanctions and close international monitoring of its policies and economy—revealed that Iraq had detailed programs and plans for weapons of mass destruction. Nothing is more important, according to Cooper, than preventing the emergence of new nuclear weapons powers, and preventing terrorists from getting WMD. Hence, he gives full backing to "the doctrine of preventative action in the US National Security Strategy," the main theme of which is "enduring strategic superiority." He wrote: "In practice, this is not so different from the longstanding British doctrine that no single power should be allowed to dominate the continent of Europe. . . ."

The time since Cooper wrote his book has shown something that was predictable when his *The Breaking of Nations* went to print in 2003: Iraq has plummetted into chaos, in a process that threatens to drown all of Southwest Asia and contiguous areas. Happily, the core Bush Administration group, centered around Vice-President Cheney, that planned this war, is now in deep political trouble in the United States. May a similar fate await Robert Cooper!

Beyond this, Cooper counts on a dumbed-down American population to approve of such a British-authored direction of American foreign policy. "For Americans history is pure bunk," he writes, and proceeds to simply ignore the entire matter of the American Revolution, and the historical tensions between the American System and the British Empire. But with the growing impact of the LaRouche political movement in the United States and internationally, we are seeing what might be called "history's revenge," a reawakening of the great ideas of 1776, typified by the Declaration of Independence from the British Empire.

Hobbesian Wars

Cooper sees, today, the seed-crystal of conflict coming from the continued existence of nation-states, the potential "success" of which could upset the global "balance." China and India are reviewed in this context. He raises the possibility that both of these states could collapse into "pre-modern" states of unrest and chaos. But the highest potential for conflict comes from "failed states" in Africa, such as Sierra Leone, Rwanda, and Congo. He wrote that "pre-modern states are usually the scene of a series of conflicts—initially civil wars, later the wars of all against all (as Hobbes so aptly named them)—for the control of resources." What a travesty! In fact, as *EIR* has documented, these conflicts in Africa are initiated and orchestrated by powerful British, American, and Israeli interests, primarily centered in Anglo-American supranational mining conglomerates.

Once again, this proves that it is imperialism which creates and foments wars, and that it is the final defeat of Hobbesian-imperial policies of the type espoused by Cooper that, alone, can bring peace to our troubled world.

Documentation

Blair: 'Britain's Role' To Push Pre-Emptive War

British Prime Minister Tony Blair lectured Europe and the United Nations about the need for pre-emptive (or, "preventive") war and imperial reach, in a speech in his own constituency in Sedgefield, England on March 5. The address hearkened back to Blair's 1999 speech in Chicago, when he lectured the Clinton Administration that military interventions by the NATO powers could be justified anywhere "even though we are not directly threatened." These excerpts are from the transcript provided on the Internet by 10 Downing Street, the Prime Minister's office. Subheads have been added.

The characterisation of the threat is where the difference lies. Here is where I feel so passionately that we are in mortal danger of mistaking the nature of the new world in which we live.

Everything about our world is changing: its economy, its technology, its culture, its way of living. If the 20th Century scripted our conventional way of thinking, the 21st Century is unconventional in almost every respect.

So, for me, *before September 11th,* I was already reaching for a different philosophy in international relations from a traditional one that has held sway since the Treaty of Westpha-

lia in 1648; namely, that a country's internal affairs are for it, and you don't interfere unless it threatens you, or breaches a treaty, or triggers an obligation of alliance. I did not consider Iraq fitted into this philosophy. . . . [emphasis added]

Change International Law

Which brings me to the final point. It may well be that under international law as presently constituted, a regime can systematically brutalise and oppress its people and there is nothing anyone can do, when dialogue, diplomacy and even sanctions fail, unless it comes within the definition of a humanitarian catastrophe (though the 300,000 remains in mass graves already found in Iraq might be thought by some to be something of a catastrophe). This may be the law, but should it be?

We know now, if we didn't before, that our own self interest is ultimately bound up with the fate of other nations. The doctrine of international community is no longer a vision of idealism. It is a practical recognition that just as within a country, citizens who are free, well educated and prosperous tend to be responsible, to feel solidarity with a society in which they have a stake; so do nations that are free, democratic and benefiting from economic progress, tend to be stable and solid partners in the advance of humankind. The best defence of our security lies in the spread of our values.

But we cannot advance these values except within a framework that recognises their universality. If it is a global threat, it needs a global response, based on global rules.

The essence of a community is common rights and responsibilities. We have obligations in relation to each other. If we are threatened, we have a right to act.

And we do not accept, in a community, that others have a right to oppress and brutalise their people. We value the freedom and dignity of the human race and each individual in it.

Containment will not work in the face of the global threat that confronts us. The terrorists have no intention of being contained. The states that proliferate or acquire WMD illegally, are doing so precisely to avoid containment.

Emphatically, I am not saying that every situation leads to military action. But we surely have a duty and a right to prevent the threat materialising; and we surely have a responsibility to act when a nation's people are subjected to a regime such as Saddam's. Otherwise, we are powerless to fight the aggression and injustice which over time puts at risk our security and way of life.

Which brings us to how you make the rules and how you decide what is right or wrong in enforcing them. The UN Universal Declaration on Human Rights is a fine document. But it is strange the United Nations is so reluctant to enforce them.

I understand the worry the international community has over Iraq. It worries that the US and its allies will, by sheer force of their military might, do whatever they want, unilaterally and without recourse to any rule-based code or doctrine.

But our worry is that if the UN—because of a political disagreement in its Councils—is paralysed, then a threat we believe is real will go unchallenged. . . .

Britain's role is try to find a way through this: to construct a consensus behind a broad agenda of justice and security and means of enforcing it.

This agenda must be robust in tackling the security threat that this Islamic extremism poses; and fair to all peoples by promoting their human rights, wherever they are. It means tackling poverty in Africa and justice in Palestine as well as being utterly resolute in opposition to terrorism as a way of achieving political goals. It means an entirely different, more just and more modern view of self-interest.

It means reforming the United Nations so its Security Council represents 21st Century reality; and giving the UN the capability to act effectively as well as debate.

It means getting the UN to understand that faced with the threats we have, we should do all we can to spread the values of freedom, democracy, the rule of law, religious tolerance, and justice for the oppressed, however painful for some nations that may be; but that at the same time, we wage war relentlessly on those who would exploit racial and religious division to bring catastrophe to the world.

That is the struggle which engages us. It is a new type of war. It will rest on intelligence to a greater degree than ever before. It demands a different attitude to our own interests. It forces us to act even when so many comforts seem unaffected, and the threat so far off, if not illusory.

Americans Must Ask Themselves: 'Is The Present European Union Doomed?'

by Lyndon H. LaRouche, Jr.

This statement, dated June 17, 2004, was released by the LaRouche in 2004 Presidential campaign committee.

It is often the revealed character of an habituated underling, as Shakespeare's Cassius describes both Brutus and himself, that he or she tends to blame all of his or her problems entirely on other people, such as foreigners, and by acting in that way, often brings doom upon himself. Therefore, the admittedly terribly bad behavior of the U.S. Administration of the foolish President George W. Bush, Jr., is no acceptable excuse for the self-righteously impotent, and implicitly suicidal behavior of certain among the currently reigning underlings now prevalent among certain leading positions in continental western and central Europe.

As I have warned, repeatedly, and as I wrote in a lead to our international Morning Briefing recently,[1] the way in which the recently expanded European Union is being represented, portrays it, in fact, as a veritable new "Tower of Babel." It is being presented as a form of organization under the present "stability pact," which is currently intended by some of its spokesmen to be (chuckle, chuckle) a new European power—the mighty federation of the "mice"—as an alternative by means of which "to bell" a hated and feared U.S.A.—the "cat." As I emphasize that fact again here, were such a scheme to be extended now, it would soon become a newly fallen "Tower of Babel," indeed. Its early doom is inherent, if for no additional reason than this, in the economic consequences of the fantastically absurd, axiomatic assumptions upon which the "stability pact" itself were currently premised.

At bottom, this new design for a European utopia is not really a product of continental European thinking, but rather a new expression of the same old series of British imperial strategies, this time conduited through France's de Gaulle-hating François Mitterrand, for controlling, and ruining its potential rivals of the European continent, a strategy which Europe has suffered since that so-called Seven Years War which culminated in the establishment of the British East India Company's empire at the 1763 Treaty of Paris, that Seven Years War which has been the first of an analogous series of London-inspired continental European catastrophes, including the subsequent Napoleonic wars, and the two so-called World Wars of the Twentieth Century.

That is the danger if the European Union were to continue to follow that increasingly "anti-American" ideological track which has come to dominate the recent trends among some leading circles there since, and beyond the time of the ominously poor results of the most recent elections to an unmanageably awkward contrivance, the enlarged European Parliament.

The economic result of that current trend in Europe could soon become, at its least worst possibility, a unified western and central continental Europe transformed into a post-modernist's caricature of Prince Metternich's Holy Alliance. If that trend continues, the European Union might become better described, and cursed by Europeans generally as "The Roumanian Empire," so named by them for its presently impending plunge into unthinkably miserable conditions of employment and real purchasing-power of average family income, thus arriving soon at a condition far, far worse than yet to be found throughout that continent today.

Considering the ominous circumstances of the presently impending plunge of the world's monetary-financial system into a global crisis far worse than that of 1928-33, the use of the expanded European Union project as a way of making a show of spreading anti-Americanism in Europe, is a piece of implicitly mass-suicidal folly which requires serious and immediate discussion, and correction, from both sides of the Atlantic. I summarize the case here.

Admittedly, as I have just indicated, this moral sickness among the leading political ranks of Europe has been aggravated, in a large degree, by the post-2001 performance of the U.S. Bush Administration, especially in respect to issues associated with the Anglo-American launching of the Iraq war. However, that fight, in which the governments of President Chirac's France and Chancellor Schröder's Germany did play a crucially useful role in their resistance to that war prior to its outbreak, the commendable behavior of that moment only touched the surface of a much deeper, longer-term problem of a cultural decay inside western Europe

1. See article in this section, "The 'Uro-Socialism' Threat to the U.S.A."

Former French President Valéry Giscard d'Estaing, who heads the Convention on the Future of Europe, on June 19 signs the "Constitution" for a projected European super-state which his committee drafted. Tipping its character, Giscard in March 2003 had called for keeping Turkey out of the European Union, claiming its inclusion would "change Europe's cultural character."

itself. This decay within Europe is as serious, or relatively worse in its implications than that among the leading circles of the U.S.A.

Hopefully, Europeans will permit themselves to be shocked as by me here and now, into coming back to their senses, and will not, therefore, allow recent ruinous trends in European policies to continue. However, when all relevant, determining factors are taken into account, Europe presently could not save itself without measures which include an indispensable, new quality of leadership from its U.S.A. partner. The stress on needed U.S. leadership, is to emphasize, that, given the role of that Anglo-Dutch Liberal, Venetian Party tradition of central banking, which has dominated Europe's trends during most of the time from 1763 to the present day, there is no hope for Europe's adoption of a voluntary solution for itself, in the medium-term, unless the United States comes to its rescue.

Admittedly, this needed role by the United States will not come about, unless the United States turns back, suddenly, to the tradition of the pre-Truman, Franklin Roosevelt U.S.A. Admittedly, that change in U.S. behavior must come during the relatively immediate future, or the United States itself will not continue to exist much longer in a presently recognizable form. Only if the United States makes a turn back to the Franklin Roosevelt orientation, and only if Europe, including Russia, for example, joins with such a turnabout in current U.S. policy, is there much chance of a safe journey for the world at large during the decades ahead.

This is not a moot point. Despite the contemptibly awful performance shown by both currently leading U.S. Presidential pre-candidates, Bush and Kerry, this year to date, the recent upsurge of revolt, by crucial sections from among the leading layers of U.S. political life, a revolt against recent Bush Administration's neo-conservative policies, provides Europe the only real prospect of escape from the doom which threatens Europe generally at this moment.

Thus, to restate that crucial point, unless the U.S.A. makes that change, and, unless the Europeans act to reverse their present, culturally pessimistic drift, Europe has virtually no chance for tolerable alternatives during the generation or so immediately ahead. As long as nations of Europe remain entrapped in the Maastricht policies bequeathed to them by imperial London's favorite recent President of France, Charles de Gaulle-hating François Mitterrand, what we are seeing, currently in progress, is presently reflected in the most pitiable way in western and central Europe. It is typified by an accelerating rate of self-inflicted, political, cultural, and economic disintegration of modern European civilization: a trend which, if allowed to continue, will resonate in planet-wide, catastrophic effects.

The point of no-return in this now rapidly degenerative process throughout continental Europe, is presently very, very near. Unless a turn to reverse the recent several dozens of years trend is made, very soon, the situation of continental Europe, and much more than that, would become hopeless.

The cowardly underling objects: "Since, in my opinion, you can not succeed in changing the current trends, why do you try to change what can not be changed?" The answer is: "If I do not, all the poor, habituated underlings like you are doomed in any case."

When the U.S. Went Wrong

To define the cure to the problem, we must define its root. The problem is to be studied as it developed over the interval since the death of anti-colonialist U.S. President Franklin Roosevelt, and the subsequent actions of his nasty successor, pro-colonialist Harry Truman, to reverse Roosevelt's strategic policies. Truman introduced Bertrand Russell's policies of "world government through the terror of pro-colonialist, 'preventive' nuclear warfare" as the basis for the neo-fascist, right-wing trend of a leading, so-called "utopian" faction among the Anglo-American victors. Although this right-wing turn by Truman represented only one, non-traditional current of U.S. life, as Presidents Eisenhower and Kennedy represented a more traditional one, the influence of that right-wing nuclear-warfare-based "American Century" legacy of the Truman Administration, as combined with certain accomplices in Britain, has had, recurrently, the relatively greatest influence for the worse on the direction of the successive phases of the evolution and devolution of institutions of Europe and the Americas during the entire period, from Roosevelt's death to the present time.

It is difficult for many people today, even in leading positions of government, to produce a clear, let alone competent comprehension of the immediately deadly implications of the reality to which I am referring. This is an especially acute problem among those, on both sides of the Atlantic, who had had no first-hand, adult experience with the world during the first two decades since World War II. I mean, in other words, those who had no adult's experience with the shocking, formative changes from the relatively short time following the 1962 missiles-crisis, a time which included the accelerated ouster of Chancellor Adenauer in Germany, the assassination-plots against President Charles de Gaulle, and the assassination of President John F. Kennedy.

Because those born during the 1940s, or slightly later, lacked an adult's experience of the events of 1939-1963, and because of the then already ongoing uprooting of the essential, earlier modern traditions of Classical humanist education of leading layers of society, the victims of, shall we say, belated birth-dates, tend to think, foolishly, of the supposed "inevitability" of changes in policy-thinking. They tend to view these types of changes as products of what they tend to misread as statistical trend-lines in the evolution of perception among mass-sectors of the populations and leading institutions. They do not see the critical turning-points in history as always determined by the presence or failure of sudden, willful changes in axiomatic assumptions of policy-shaping. They are therefore stubbornly ignorant of their own obligation to make sudden changes in such assumptions whenever faced with an existential kind of social crisis. They are like the typically mechanistic Marxist, or anarchist, who denies, fears, and hates the crucial role of the exceptional individual, as in science, art, and politics, as a voluntary factor of decisive importance in all of the crucial turning-points in the history of a people or the world at large. Lacking a sense of the role of the individual as an expression of reason, they turn, instead, from despair caused by the outcome of their own mechanistic habits, to follow wild-eyed men inspired by the mad existentialist dreams of a Nietzsche, Mussolini, or Hitler, or to a mad delusion, such as the current spate of delusory fantasy, dreaming of the European Union's role as a power to challenge the U.S.

For that reason, most of the populations of today, have no efficient sense of the meaning of the term *principles,* in the true, practical scientific use of that term. So, the majorities of populations have degenerated, over more than two generations, especially the recent four decades, both morally and intellectually. This degeneration is expressed, typically, in forms of statistical-like trends in sophistries, states of mind in which they habitually cling to illusions which they attribute to what they presume to be normal and natural expressions of a notion of what is in fact an intrinsically corrupting principle, "cultural diversity." The form of intellectual and moral corruption which they experience on this account is now often called "pluralism," in opinion as in sexual partnerships.

This latter quality of populist decadence, which has been a strong influence in Germany, the U.S.A., and elsewhere, has been exerted, increasingly over the post-1945 decades, by the existentialism of the Congress for Cultural Freedom's Frankfurt School epidemic. This influence has created a present cultural situation in which most people, even so-called respectable ones, no longer tell the truth, or, perhaps, even think it. Most people now even go so far as to insist, as the decadent figures of the Frankfurt School did, that the presumption that truth might exist, is itself, allegedly, a form of "totalitarianism." This form of moral pollution, often known as "cultural pluralism," thus relegates what would be the issues of truth in a sane society, to the relatively obscure domain of private expressions of sexual and other fantasy-life.

To see this process clearly, it is necessary to see the more recent developments, since 1989-1991, as the recently unfolding expression of a 1964-2004 process of general reversal of the factors of post-1945 economic revival, a reversal which has been in process, world-wide, during a period of about forty years, since about the time the disastrous first Harold Wilson government was installed in London. To understand the driving force which has been continuously behind the seemingly kaleidoscopic degeneration of the European civilization since that time, we must see that approximately forty-year-long process as "energized" by those influences which my own U.S. Presidential campaign has documented as "The Sexual Congress of Cultural Fascism."[2] This we have identified as associated with the launching of the Anglo-American imperialist "New American Century" dogma by ***Time*** magazine's Henry B. Luce. A similar, ostensibly post-Cheney version of the same exists within the U.S.A. and U.K., and from there pollutes continental

2. See *EIR,* June 25, 2004.

The Clash Between Roosevelt and Churchill

The following eyewitness account of the struggle between President Franklin D. Roosevelt and Sir Winston Churchill, during negotiations for the Atlantic Charter at the naval base of Argentia in Newfoundland in March 1941, is taken from the book As He Saw It, *by Elliott Roosevelt (New York: Duell, Sloan and Pearce, 1946). Elliott Roosevelt, FDR's son, was his aide at all but one of the Big Three conferences during World War II.*

It must be remembered that at this time Churchill was the war leader, Father only the president of a state which had indicated its sympathies in a tangible fashion. Thus, Churchill still arrogated the conversational lead, still dominated the after-dinner hours. But the difference was beginning to be felt.

And it was evidenced first, sharply, over Empire.

Father started it.

"Of course," he remarked, with a sly sort of assurance, "of course, after the war, one of the preconditions of any lasting peace will have to be the greatest possible freedom of trade."

He paused. The P.M.'s head was lowered; he was watching Father steadily, from under one eyebrow.

"No artificial barriers," Father pursued. "As few favored economic agreements as possible. Opportunities for expansion. Markets open for healthy competition." His eye wandered innocently around the room.

Churchill shifted in his armchair. "The British Empire trade agreements" he began heavily, "are—"

Father broke in. "Yes. Those Empire trade agreements are a case in point. It's because of them that the people of India and Africa, of all the colonial Near East and Far East, are still as backward as they are."

Churchill's neck reddened and he crouched forward. "Mr. President, England does not propose for a moment to lose its favored position among the British Dominions. The trade that has made England great shall continue, and under conditions prescribed by England's ministers."

"You see," said Father slowly, "it is along in here somewhere that there is likely to be some disagreement between you, Winston, and me.

"I am firmly of the belief that if we are to arrive at a stable peace it must involve the development of backward countries. Backward peoples. How can this be done? It can't be done, obviously, by eighteenth-century methods. Now—"

"Who's talking eighteenth-century methods?"

"Whichever of your ministers recommends a policy which takes wealth in raw materials out of a colonial country, but which returns nothing to the people of that country in consideration. *Twentieth*-century methods involve bringing industry to these colonies. *Twentieth*-century methods include increasing the wealth of a people by increasing their standard of living, by educating them, by bringing them sanitation—by making sure that they get a return for the raw wealth of their community."

Europe's internal security establishment.

For me, and others, especially of the "pre-Baby Boomer" generation, who have a longer-standing, better grasp of recent world history, the warning I am delivering is more or less self-evidently true. For others, either more poorly educated, or blinded by recent ideological fads, fads such as those lunacies rampant in some leading European circles today, it will seem difficult to grasp the concept of the process of the recent forty years of relevant history in a single mental breath. Their difficulty persists as expressed in stubborn defiance of the overwhelming mass of crucial evidence, that the economic and other culture of Europe is presently disintegrating, that now at an accelerating rate. For these unfortunate victims of such an hysterically deluded state of blindness to even their own immediate realities, we must break the analysis of the process into successive phases; only after we have done that, could we expect them to begin to be able to see the true nature and causes of the situation which grips and menaces them today.

Therefore, to assist the reader in grasping the deadly problem referenced here, let us start with the most recent phase, the most urgent policy-issues posed by the currently onrushing world monetary-financial and physical-economic collapse. After that, consider the way in which western Europe (and also the U.S.A.) ruined the golden opportunity represented by the fall of "The Wall." After that, look still deeper, into the process, begun with the 1962 missiles-crisis and assassination of U.S. President John Kennedy, which led into not only the protracted U.S. official war in Indo-China, but also the transformation of the U.S.A., U.K., and continental European

economies, into the state of "post-industrial" ideology-ridden wreckage they were already in the process of becoming when "The Wall" fell. Then, finally, look still deeper, into the intentional and savage destruction of those portions of the world associated with the Comecon, all of which, despite some marginal gains in personal political and related freedom, have shared with the economies of western Europe, the fate of being driven to a much lower level of physical productivity and real standard of living, per capita and per square kilometer, than in 1989.

Read my ensuing remarks here, against the backdrop of those listed, successive phases.

Therefore, start the analysis of today's menacing situation by considering the changes in the comparative absolute physical state of the economy of western Europe and what had been the Eurasian territory of the Soviet Union over the period since the beginning of 1989.

1. The Maastricht Lunacy

The essential, catastrophic economic folly of the way in which the European Union is being extended currently, is to be seen in that fact, that there exists no possible economic recovery from the presently onrushing general breakdown crisis of the existing world monetary-financial system, unless we turn to measures of the sort actually taken by the U.S.A., beginning March 1933, under President Franklin Roosevelt. These are the same type of measures which had been proposed to Germany's prestigious Friedrich List Gesellschaft in 1931 by Dr. Wilhelm Lautenbach.

Rather than continue the kind of suicidal lunacy of "fiscal austerity" measures by means of which Bank of England agent Hjalmar Schacht and the ministerial Chancellorships of Brüning and von Papen prepared the way for the bringing of Hitler into power by the combination of Britain's Montagu Norman, his Schacht, and their Harriman and other Manhattan and related accomplices, the solution for any general crisis of the 1928-1933 or present type, is to increase the level of productive employment, through the stimulus of public employment, by large-scale investment of public capital funds in long-term projects of build-up of needed basic economic infrastructure. This build-up of employment to required levels for stability, creates the market in which a self-regenerating resurgence of private entrepreneurship can be brought into play.

Thinking like that, which proved so successful in Franklin Roosevelt's hands, and which would have worked in 1931 under a German government adopting Lautenbach's approach, is the only approach which permits the continuation of existing goals of constitutional government of a free people. Any continuation of "fiscal austerity" varieties of "knee-jerk" responses to financial distress, must lead to early forms of dictatorship, or worse, as we witnessed Synarchist International-orchestrated fascist regimes, and their murderous effects, spreading across a Europe, from which Franklin Roosevelt's alternative was lacking, during the interval 1922-1945. Without Roosevelt, we would have had fascism in the U.S.A. at about the same time as Hitler's rise to power, a condition under which London, Washington, and Berlin would have been allies in creating a universal fascist world order.

Given, the monstrous and cancerously worsening monetary-financial catastrophe, of Europe, Japan, and the Americas sinking lower and lower in net physical output, while tens of trillions of U.S. dollars equivalent of global net product is overwhelmed by a hyperinflationary quadrillions of dollars of global annual turnover of financial derivatives, there is no way to avoid, not a mere depression, but a global general breakdown crisis of the world system, unless sovereign governments cooperate to put the present, floating-exchange-rate, world monetary-financial system—the IMF/World Bank system—into receivership for general reorganization.

The monetizing of gamblers' side-bets on the economy, which was unleashed post-1987 under the reign of the Federal Reserve System's then newly appointed official lunatic, Alan Greenspan, has created the most monstrous monetary-financial bubble the world has ever seen. The scale and depth of sheer fraud, by the U.S. government and others, on a global scale, is conceptually beyond anything comparable seen in Europe since the fall of the House of Bardi. The only alternative to the remedial action I have indicated here, is either dictatorships and war world-wide, or simply global chaos of a type worse than Europe experienced during the Fourteenth-Century "New Dark Age."

The only remedy is, that under such perilous conditions, relevant leading governments form a concert of remedial actions.

This mess could not be cleaned up except by means of the concerted action among sovereign national governments. The required action is the forceful establishment of the principle of a return to a gold-reserve-based fixed-exchange-rate system, thus reversing the great folly unleashed upon civilization by influence of the U.S.A.'s George Shultz et al. in 1971-72. Under agreement to the intention to reestablish a Bretton Woods System of the form which Shultz et al. wrecked under U.S. President Nixon, it will be possible, immediately, to create large-scale state capital credit for investment in needed large-scale public works in basic economic infrastructure, and to foster revival of private entrepreneurships in the critical small to medium-sized scale of employment in, emphatically, agriculture and industry.

The essential point here, is the need to capitalize the debt so generated by the creation of such credit, by useful investments in, chiefly, basic economic infrastructure. The rebuilding of the stability which has been shattered by that monetary-financial lunacy which has reigned increasingly since 1971-72, is the work of a generation, a quarter-century or more. Only if we can tie the creation of invested, newly created state

credit to solid assets to exist a quarter-century or so ahead, can we create a stable balance between short-term current operating accounts and long-term capital accounts. The establishment of a durable, non-inflationary recovery, depends absolutely upon adherence to such a guiding doctrine of principle in policy-shaping.

Examine the present situation in Europe against the background of those leading, most urgent considerations. See clearly why some errant fellows are presently committed to foreseeing the present trend of the European Union to create what would be, in fact, a self-doomed, lunatics' Tower of Babel in continental Europe.

The Role of Britain in Maastricht

During a mid-1970s meeting, of a companion and myself, with a lady of notable pedigree then in a prominent political post in London, she expressed contempt toward France's Gaullists, insisting upon a fact which I already knew to be true, that de Gaulle-hating François Mitterrand was London's coming man in France for the decades ahead. As we left that meeting, my companion confided his astonishment at the lady's brutal frankness. My matter-of-fact references, in that meeting, to the need of the U.S. and U.K. to cooperate in preventing a drift into a revival of Hjalmar Schacht's policy, had set off a very sensitive nerve. Already then, and in times to come, Mitterrand proved both of us, she and me, right on that as a matter of forecasting, in many more ways than one.

To understand the wrecking of the economic potential of a reunified Germany by Maastricht, forget the dubious presumption of the childish commentators, that Mitterrand acted in the special interest of France. See that side of France's politics under Mitterrand as a fresh echo of the legacy of London's overreach into France by Lord Shelburne's London, and the role of the Foreign Office of Shelburne's Jeremy Bentham, in running the secret operations behind his personal agents Danton and Marat, the Jacobin Terror, Napoleon's France, and behind the installation of France's Restoration monarchy by the assigned, Bremer-like hand of the Duke of Wellington. See the history of Europe from that point in its past history, as largely the outcome of that most unchaste marriage of convenience, between the notoriously bloody Castlereagh and brutal Metternich, known as the Congress of Vienna. See Germany since Maastricht as an echo of the principle underlying the German policies set down at Vienna then.

The enforced economic self-mutilation of a unified, post-1989 Germany, and the complementary, savage destruction of the Eastern European economies which had once existed where the Comecon had stood, were set into motion through the role which London had assigned to what it deemed the suitable temperament of Mitterrand. To state the case fairly, we must add: do not overlook the Anglo-American proprietary interest in the virtual puppet-strings on Mitterrand, or the degree to which many politically-connected U.S. financial carpetbaggers hauled off the greater portion of the vast amount of loot pillaged from the former Soviet Union, leaving the continental Europeans to munch, like hyenas, on some of the left-overs of the Anglo-American lion's feast.

French President François Mitterrand (left) with German Chancellor Helmut Kohl, in 1990. LaRouche writes: "Do not overlook the Anglo-American proprietary interest in the virtual puppet-strings on Mitterrand, or the degree to which many politically-connected U.S. financial carpetbaggers hauled off the greater portion of the vast amount of loot pillaged from the former Soviet Union, leaving the continental Europeans to munch, like hyenas, on some of the left-overs of the Anglo-American lion's feast."

Much of the apparent prosperity of post-1989 western Europe and the U.S.A. depended, until 1997-1998, on the looting of the vast, but nonetheless exhaustible resources of the former Soviet Union and its Eastern European partners. Part of this looting occurred in the form of actually physical wealth; a much greater portion was included as a combination of private and public debt-burden imposed, largely artificially, by carpetbagging methods, in the territory of the combined Soviet Union and its Eastern European former partners.

I was not surprised. I had warned the Soviet government, through their representative in my Reagan Administration-sponsored back-channel, that were the Soviet government of General Secretary Yuri Andropov to reject the prospective Reagan offer I outlined, and to resort to the arms-race they reported instead, the Soviet economy would collapse within about five years. The collapse took slightly more than six.

I invoke my unique authority of that and other successes as a long-range forecaster, to warn western and central Europe against the folly of their current, immanently suicidal, ideological view of the strategic role of a European Union today.

The neo-Venetian imperial model inhering in the Anglo-Dutch Liberal system, based itself in the northern maritime regions of Europe over a period of approximately a century, from the 1648 Treaty of Westphalia to that 1763 Treaty of

Paris which established the British East India Company then coming under Lord Shelburne's leadership as, in fact, a British Empire whose distinguishing characteristics, including England itself, were premised on the Venetian model of financier oligarchy typified by Paolo Sarpi's reforms. From 1763 on, for Shelburne and other prominent midwives of that emergent empire, the issue was to prevent the success of the North American English-speaking model, and to ruin France, especially, and also continental Europe, in ways reminiscent of Britain's triumphant emergence from the "Seven Years War" which she had chiefly orchestrated.

The characteristic flaws in the way in which the Maastricht agreements have orchestrated the recent emergence of an expanded European Union, are a fresh example of the type of London-based, pro-imperialist measures taken against continental Europe since the successful (from London's standpoint) precedent of the Seven Years War. The role of the Liberal Imperialist faction of Britain, under Margaret Thatcher and her celebrated reincarnation as Tony Blair, is a continuation of the same Fabian policy which produced some of the worst catastrophes the planet suffered during the immediately past century.

These Fabian circles of the Blair government, which are in intimately close personal family collaboration, against Europe, with U.S. Vice-President Cheney today, are simply at the old game, playing the United States against continental Europe, while cheerfully setting continental Europe into rage against the U.S.A. So, the imperial game is played, and so the familiar dupes once again tend to play their habitually foolish roles.

Europe Lost a Sense of Economic Reality

A few highlights of the basis for that ominous warning of mine to today's Europe are in order in this report.

a.) The characteristic mental defect of character among influential "Baby Boomers" on both sides of the Atlantic, is their generation's increasing, collective attachment to a delusionary cult-belief in what is termed "post-industrial" society. The flaw of the generation of leading political figures of this pedigree, even otherwise exceptionally intelligent ones who yearn for a return to technological progress, is that they have no practical comprehension of the actual meaning of the principles of management of that successful form of "physical economy" of which they have little or no personal experience.

Management is not merely financial accounting, but actually generating a net per-capita, per-square-kilometer increase in a nation's physical wealth. Mass-entertainment bazaars are not wealth, but simply wealth wasted on behalf of less than nothing at all. Their ignorant views on the subject of economy resemble the delusions of the possibly mythical "cargo cult" which, according to the myth-making of some ideologues called cultural anthropologists, developed among inhabitants of South Pacific islands, when the U.S. ships ceased to dump lavish displays of cargo on the beaches.

They have no recollection of the experience of actually effecting the increase of the per-capita output of physical wealth, through technological progress and related means, at "the proverbial point of production." They have no comprehension of the ruinous effects of the degradation of such essential forms of traditionally public forms of basic economic infrastructure as: high-technology generation and distribution of power; mass-transport rather than today's socially and physically costly, excessive reliance on highways used as involuntary "rush-hour" parking-lots; large-scale water management and its continued development; the degradation of former standards of universally available health-care service; and, removing the effects of the devolution of Classical humanist modes of secondary and higher education in the direction of training pupils in passing rehearsed, computer-scored examinations based largely upon prescheduled, multiple-choice questionnaires.

Fanatical attachments to ideological "comfort-zones" have replaced real ideas and productive work, more and more, as the decadence of modern civilization is accelerated.

The assumption adopted by these leading "Baby Boomers" on what were deemed the most celebrated campuses of the middle 1960s through early 1970s, was the widespread opinion, that the "blue-collar working class" were political adversaries and parasites, an odious class from which we had better free ourselves, by shutting down technologically progressive forms of employment in agriculture, manufacturing, scientific progress, and basic economic infrastructure. It was proposed that, as the fascistic Congress for Cultural Freedom insisted, existentialist pleasures derived from "alternative" forms of mental life and entertainment, must replace physically capital-intensive, science-driven increase of the net productive powers of labor.

Through the growing, mass-media- and university-promoted influence of this metagenetical, existentialist, "post-industrial" mass-psychosis egg, and its larval phase as "ecology-fanaticism," the selection of leading cadres of the economy and government in Europe and the Americas shifted toward those who qualified as ideologues of that "Baby Boomer" culture which tends to dominate political life on both sides of the Atlantic today. Others, who do not necessarily share the specific ideology of the extremists of that culture, react like whipped underlings to the authority which those in power seem to represent to them, and are thus transformed by habituation to fear of more whippings, to become, like spectators drooling at a lynching, intellectually complicit in acts they would otherwise deplore.

In the case of the U.S.A., this pro-psychotic metagenesis

among the "Baby Boomers" was concentrated in the layer of students entering the most preferred universities, a layer more or less dominated by the offspring of the households typified by the "White Collar" ideology of the 1950s. In this process, the decadent generation of the middle to late 1960s campuses, exploded with hostility, and even contempt for people who worked for a living wearing the "blue collar" of the farmer or industrial operative, who were regarded more or less emphatically as the cultural adversary to be crushed.

The result—as the American Century's "cultural" ideology signalled this—was to transform the U.S.A. from its role as the world's leading producer society, into a kind of imperial parasite, characterized by "bread and circuses," like that which ancient Rome became through the changes introduced in the aftermath of the Second Punic War. By aid of the changes in the world's monetary-financial system, first in 1971-72, and under the impact of the Trilateral Commission's 1977-81 "deregulation" rampage under the fanatic Zbigniew Brzezinski and Paul Volcker, the Anglo-American powers looted the world as their lawful prey, destroying the agro-industrial productive power of the U.S.A., U.K., Canada, and Australia-New Zealand at home. In this way, they came to rely for their own comfort and pleasure, upon looting the weaker and poorer nations and peoples of the world. Continental Europe's degeneration was slower, but it, too, learned, on the instruction of Judases in its own ranks, to imitate its English-speaking betters.

For more and more of the populations of the Americas, western Europe, and beyond, pleasure secured by the money which looted what was wanted from the poorer parts of the world, replaced reliance on the despised functions of getting one's pretty hands dirty by actually producing. Control of "our money," whether it were ostensibly earned, borrowed, or obtained by increasing resort to the aggressively predatory usury of the notorious "vulture funds," replaced actually earning one's income, by getting it through obtaining money by any means. To make life in this vast swindle tolerable, an insatiable appetite for pleasure was cultivated in the underlings, pleasures of a quality approaching that which might have made even a Nero blush.

b.) This shift meant that the "Baby Boomer" generation, with no direct experience of the economy beyond "momma's" and "papa's" largesse, had no sensible awareness of the requirements of even that physical production of the goods on which their own continued existence and pleasures depended. Nothing was more distant from their moral sensibility, than the notions of a production process-sheet or bill of materials. Managing to get the money needed to get what you wish, became, increasingly, a substitute for the notion of being productive. For them, the watch-word was not "earn money," but, "bring it in any way you can." For them, the idea of production of wealth was superseded by the lunatic practices of pillage, gambling manias, and triage.

I have dealt with the perils of instilling competent notions of economic management into the "Baby Boomer" generation, at close quarters, over more than a generation. Even when the individuals with whom I have dealt in this matter were exceptionally intelligent, the tentacles of a "post-industrial" cultural decadence gripped them, and dragged them down, bit by bit, intellectually and morally.

Among that generation, the exceptions to such decadent reactions to the challenge of economic management, are very, very rare these days. In attempting to check such expressions of folly as that, you are not dealing with rationality, but a stubborn, knee-jerk kind of gut-reaction, of "physical," rather than actually intellectual characteristics. Even those who can discuss this manifestation in the society around them, are usually either incapable of recognizing the same trait in themselves, or become enraged, even utterly irrational, as a neurotic child who is enraged when a parent takes his favorite poison from his mouth. When confronted with proof of their succumbing to such irrationality, they will often adopt the tactic of doing this foolishness behind the back of the critic, even asserting a right to engage in outright cheating, as a way of punishing those, such as me, who are inconsiderate enough to complain about their silly behavior. The generation as a whole tends to be infantile in that and related ways. A competent manager has much to worry about, these days.

Rebuilding the U.S.A., and also Europe, these days, will be difficult on this account; but, it will also be necessary.

2. The Crisis in Capital Formation

The present generation of "Baby Boomers" has no efficient notion of the time-related nature of productive capital. This is reflected in the continued toleration of a lunatic policy, as the presently notable reading of the "Maastricht" criteria, which includes capital outlays in the financial accounting of annually incurred current operating expenditure. The continuation of this infantile, or should we say lunatic practice, would ensure the rapid economic collapse into hopeless bankruptcy of the area of the European Union as a whole.

That policy could be modified. There is widespread pressure for that modification to occur. Even then, the deeper, inherently ruinous implications of Maastricht, are apparently not yet adequately understood by any of the European Union governments, even by the notable, observed critics, so far.

For example, modern levels of technological development had earlier raised the generally required level of public education of the young to secondary-school levels, and, now, to university levels. Despite the evidence that most of the

current educational programs are disasters, relative to standards existing in Europe prior to implementations of the relevant 1963 report of the Paris office of the OECD, the level of education associated with the university graduate is to be considered as indispensable to maintaining the levels of potential productivity required throughout locations such as Europe and North America. This also requires other measures such as class-size restriction to between 15 and 25 persons for regular secondary and university classes, and a radical shift to Classical humanist and related cognitive emphases in education, contrary to post-1963 trends.

The cowardly underling objects: "Since, in my opinion, you can not succeed in changing the current trends, why do you try to change what can not be changed?" The answer is: "If I do not, all the poor, habituated underlings like you are doomed in any case."

The point to be stressed here, is that today's typical professional graduate of higher education has reached the age of about twenty-five, which signifies, essentially, a capital investment of a quarter-century by society in the generation of the productive potential which that person represents.

The shift to employing electronic command and control modes in production, as expressed by computer development, while necessary in its way, will never replace those cognitive functions of the human mind on which qualitative increases in productivity depend absolutely. Putting aside the diversionary babble about "information society," and focussing instead on the practice of a sane world, it is the cognitive powers of the mind, rather than musculature and repetitive action by operatives, which will increase their role, resulting in the demand for increase in the capital to production ratio, which will increase, unavoidably. This means that the mass of physical investment in capital invested in production and basic economic infrastructure will increase greatly, per capita and per square kilometer of the total territory of society. Thus, the sheer mass of physical capital investment, with average useful life-times of up to between a quarter and half a century, or longer, must necessarily increase, to keep up with increasingly crucial planetary human needs. This includes special measures which might be described as "terra-reforming" our planet.

The world is currently financially bankrupt, and, from a financial-accounting standpoint, hopelessly so. Germany 1923 may soon be regarded as relatively a model of fiscal prudence, when compared with the soon-to-be-discovered implications of the financial-monetary lunacy rampant on this planet today. Whence, then, must the capital-formation come, which will be indispensable to raise the levels of employment and output of nations, such as those of Europe, above break-even levels once again? We have the same problem already in the U.S.A.

Who Creates Money?

There are two specific expressions of mass-lunacy which must be studied carefully, to understand how and why we must do what we must do to bring the world safely out of the presently onrushing general monetary-financial collapse. The first is the delusion that money and credit must be generated by "free trade" in the private sector of the economy. The opposing view is that money must not be allowed to be uttered, except as the U.S. Constitution requires; the power to create money, must be a power conferred as an absolute monopoly of representative forms of sovereign self-government of a nation's present and future generations. The second, is the delusion, associated with those mentally deranged fellows known as "monetarists," that money operating in a system of "free trade" is the primary basis for the generation of wealth and the measure of the performance of an economy as a whole, or a particular enterprise.

Money is, as the results of behavior by the monetarists suggests, a perfect idiot by its nature. It is a thing which knows nothing, and has no capability for knowing the consequences of what it is doing in the process of circulation. Money can never tell whether it is in the hand of a prostitute or a priest, a saint or a monster, or being traded for a good product, or a rotten one. Under the U.S. Constitution, therefore as the relevant features were set forth in U.S. Treasury Secretary Alexander Hamilton's reports to the Congress on money, national banking, and manufactures, the obligation of the Federal government to create the issue of money incurs the corresponding responsibility for managing the way in which money functions in circulation within the economy.

The latter requirement is expressed by the way in which taxation functions, and those measures of regulation typified by what the Franklin Roosevelt Administration employed to rebuild the shattered U.S. economy of 1929-1933 into the most powerfully productive national economy, per capita, and as a whole, which the world had ever seen. It was the rampage of deregulation, launched under Presidents Nixon and Carter, especially the measures of deregulation conducted under direction of National Security Advisor Zbgniew Brzezinski, which transformed the most powerful economy in modern history, into the mass of suppurating, predatory decadence it represents today.

The problem, for which the corrupting influence of the John J. McCloy-backed operations of the Frankfurt School bear significant responsibility, is that the idea of truth was banned by the associates and dupes of such as Horkheimer,

Adorno, and Arendt. With the banning of truth, the act of foresight was ruled out of order. Truth was superseded by irrational methods of selection of preferences, especially immediately sensible preferences. The idea of moral, functional accountability of policy-shapers for the future consequences of their present decisions, was uprooted in fact. The Frankfurt School doctrine means in effect, you are never permitted to actually know, even think that you might know, the consequences of what you are demanding that society do today. So, Adorno and Arendt, and kindred existentialists, argued against truth and reason in their contributions to the notorious U.S. manual for constructing lunatic cults, the book of the title ***The Authoritarian Personality***.

The alternative to doom, or to fascism or worse, under conditions such as the presently onrushing general collapse of the world's present monetary-financial system, is the existence of a principal debtor of record held accountable for the security of a promise to redeem the vast mass of credit which must be invested in the expansion of employment in useful, durable forms of development of basic economic infrastructure. This debtor must be a sovereign, such as a sovereign nation-state, otherwise the promise to repay is implicitly a worthless phantom. It must be a nation-state which is permitted to operate without destroying itself for the pleasure of its creditors.

It not sufficient that the debt so created be assigned to the nation. It must be adopted by the consent of the people of that nation. It must be an act of national foresight, premised upon efficiently truthful determination of the distinction between durably useful and other forms of public expenditure. In short, without the instrumentality of the perfectly sovereign nation-state republic, no efficient recovery of the continent of Europe were foreseeable during the lifetimes of our children today.

There would be nothing wrong in a European customs union. On the contrary, it were eminently desirable that such an arrangement be created as a protectionist measure to foster investment, and enhance the general welfare of the population of each nation, and thus to enrich cooperation among the sovereigns. A European Union intended for that function, would be an admirable undertaking in establishing a regional customs union. The Bretton Woods system established on the initiative of President Franklin Roosevelt was an extension of the notion of a customs union we find already in the work of the German-American Friederich List.

It is most important to recognize that there can be no efficiently representative form of government except one premised upon the association of the nation's people with the use of a literate form of national language-culture. The essential step to be made, is a forward movement in the role of the conscious, willful intention of the people in a system of representative government. Unless the people have access to a Classical humanist mode of general education, in which the principles of irony are made clear and habitual, an efficient expression of the goal of truly more representative self-government were not possible.

Admittedly, immigrants may not be perfect in the use of the language of the nation they have entered, but their children will be if a Classical humanist approach to educational practice is employed generally. Without access to those ideas which can be communicated among a sovereign people only by aid of the power of irony to give names to newly introduced conceptions of principle, a people can not make intelligently informed decisions concerning the measures of policy set before them for adoption. Thus, any action which blurs the role of a literate form of language in the processes of representative self-government, creates the effort of the notorious Tower of Babel, a kind of Orwellian nightmare-society, and the consequent assured doom of the peoples foolish enough to embrace such a lunatic concoction.

We have but to look back to the medieval period when the alliance of Venetian financier oligarchy with Norman chivalry, created that nightmare which concluded with the Fourteenth-Century eruption of a New Dark Age. The birth of the modern nation-state, during the Fifteenth-Century Renaissance, was the greatest step forward to date in the known history of humanity. The wars which ensued, were not the product of the rise of sovereign nation-states, but, initially, the efforts of imperial powers, who were the enemies of sovereign nation-states, such as the Habsburgs, to turn back the clock of history to the Venetian-Norman model of an ultramontane expression of imperial rule. Later, the wars unleashed by the emerging Anglo-Dutch neo-Venetian Party's efforts to establish the form of imperialism which Britain has typified, from 1763 to the present day, represent the same generation of major and minor wars caused essentially by the imperialist determined to suppress the institution of the sovereign nation-state.

Britain has come upon very hard times, but the legacy of Shelburne, Bentham, Palmerston, Edward VII, and Bertrand Russell, continues to pollute the planet to the present day of Bush, Cheney, and Blair. All attempts to build a Tower of Babel as a disguise for naked imperialism, have proven to be a very, very bad idea. The question is: if Europe chooses to carry the European Union in the NAFTA-like direction which Maastricht implies, who will survive to be the needed gravediggers of humanity, a need which the global impact of a Maastricht-keyed form of European Union policy implies?

Russia Is Wary of Liberal Imperialism

by Rachel Douglas

During a press conference in Sea Island, Georgia, at the conclusion of the Group of Eight summit on June 11, Russian President Vladimir Putin startled his listeners with what appeared to be a defense of U.S. President George W. Bush, in connection with Iraq. "I have heard," said Putin, "that in the course of the electoral campaign he is frequently attacked by his political rivals over the situation in Iraq. In my view, and I am deeply convinced of it, they have no moral right to do this, since they followed exactly the same policy. Suffice it to recall the events in Yugoslavia. They did exactly the same thing, but now, you see, they don't like what Bush is doing in Iraq."

Putin referred to the U.S. Presidential campaign, but his audience was largely European, and therein lies a clue for understanding a whole series of remarks by the Russian President in recent weeks.

In discussions on June 19, Lyndon LaRouche offered the following assessment of the latest of these remarks by Putin—Putin's acknowledgment that Russia had passed to the U.S.A., before the war, intelligence on Iraqi contacts with international terrorist organizations. While not commenting on the accuracy of the published anonymous source reports to which Putin was responding, LaRouche said that Putin was aware and very angry at the Western European powers, including Germany, for targeting Russia through the policy of the European Union. Russian sources have expressed clear awareness to LaRouche's associates, that there are factions within the European NATO powers, wishing to use the EU as a new imperialist power to loot the countries of the former Soviet Union, in a virulent form of European colonial exploitation. The Russian state, LaRouche reiterated, is well aware of the intentions of these European circles. Therefore, from the standpoint of Russian interests, Putin's preference is to maintain good relations with the incumbent U.S. Administration, lest a new U.S. Adminstration come into power in November, that might be friendly to this Euro-centric circle, promoting EU power at the expense of both the U.S.A. and Russia.

What NATO Should Be Doing

Putin launched this theme nearly a month ago, publicly addressing the role of NATO in current history. On June 3, after meeting in Moscow with President Kostunica of Serbia, Putin spoke out about the reconstruction of Serbia, including the damage from the NATO bombing of Belgrade starting in the Spring of 1999, prior to the ouster of Slobodan Milosevic as President. Putin said, "I personally think that the restoration of Serbia's economy should be funded by those who destroyed the infrastructure of Serbia and Montenegro," adding, "I am deeply convinced that if the international community had had the courage and strength to prevent the bombing of Belgrade, there would not be such a difficult situation in the Iraq crisis today."

Then, at the June 11 Sea Island press conference, Putin gave a biting, ironical answer to a question about proposals to bring in NATO forces to help police Iraq. "It wouldn't be bad for NATO to take this up—it would give them an enemy; to start with, I think they would get a reliable enemy for many years to come, and they would have something to do. Well, maybe that would make life easier for us in some areas," said Putin, before proceeding to a serious reply, in which he restated Russia's position that the stabilization of Iraq must be done under the aegis of the United Nations.

Finally, at a June 18 press conference in Astana, Kazakstan, Putin confirmed reports that Russian intelligence agencies had passed to the United States, information on alleged Iraqi plots to commit terrorism against the U.S.A. in the post-9/11 period. The incident began on June 17, right after the U.S. commission investigating Sept. 11 announced its finding that there were no links between al-Qaeda and Saddam Hussein. An anonymous Russian intelligence source told Interfax: "The conclusions of the Special Commission don't reflect the full picture of events around the onset of the Iraq war. . . . Russian services also possess no documentary evidence of links between the overthrown Iraqi President and Al-Qaeda. In early 2002, however, Russian services received information about the intentions of Iraq's special services to organize terrorist actions on the territory of the United States, as well as against U.S. embassies and military bases in other countries." The anonymous source said that "this information was repeatedly conveyed to the U.S. partners in oral and written form," adding that when "investigating the preconditions of development of the Iraqi crisis, it is necessary to consider all aspects, including the immediate threat to the United States from the regime of Saddam Hussein."

The newspaper *Vedomosti* asserted that the disclosure of this information "was undoubtedly okayed from the top leadership." Mikhail Margelov, head of the Foreign Affairs Committee in the Russian Federation Council, commented that "Moscow has always doubted Hussein's links to Al Qaeda, yet, at the same time, does not want George W. Bush to be defeated."

In Astana, Putin was asked if the reports were true. He replied: "I can confirm that after Sept. 11, 2001 and before the beginning of the military operation in Iraq, Russian intelligence did repeatedly receive this sort of information, indicating that official agencies of Saddam's regime were preparing terrorist actions on U.S. territory and against U.S. military

and civilian targets abroad. This information was, indeed, conveyed to our American colleagues. . . . And U.S. President George Bush had the opportunity to thank personally—and did so—the leader of one of the Russian special services for this information, which he considered very important. Whether or not this is grounds to say that the U.S.A. acted under conditions of necessary defense, I don't know. That is a separate topic."

As on the other occasions, Putin spoke very carefully. Asked if the intelligence communications indicated that Russian policy toward the U.S. invasion of Iraq had changed, he replied, "No, it has not. . . . We believe there are specific procedures, provided for under international law, for the use of force in international affairs. And these procedures were not followed in this case. I'll add just a couple of words about the Iraqi events. Information that the Hussein regime was preparing terrorist acts is one thing: We had such information, and we conveyed it. But we had no information on their complicity in any terrorist acts whatsoever. These are two different things."

Confirmation From Primakov

A June 23 article by senior Russian statesman Yevgeni Primakov, former Prime Minister, Foreign Minister, and Foreign Intelligence chief, confirmed LaRouche's evaluation of Russian concerns about a European brand of imperialism. Writing in the Nixon Center's *In the National Interest* periodical, under the title "Iraq at the Turn: Auditing Arrogance," Primakov warned against some Europeans' desire for a U.S. defeat in Iraq, at the expense of a solution to the crisis. Within a thorough and complex analysis of the current situation in Iraq, Primakov expressed Russian concern over how some people in Europe are now viewing the war chiefly as an opportunity to deal a defeat to the United States. Warning against this as a dangerous posture, Primakov—who has served as an advisor, and sometimes special emissary, for President Putin on sensitive foreign policy matters—provided context for the recent statements by Putin, which appeared to "defend" President Bush.

Here is the concluding passage of Primakov's article, with emphasis added: "As a result of the failure of a policy of unilateral regulation of the crisis in Iraq, the United States has undertaken a course toward greater involvement of the United Nations in the process of stabilizing the situation in Iraq. This turnabout, something that President Bush totally avoided at the start of the Iraqi operation, is now considered by Washington as a device that will, first, diminish criticism of the United States for its illegitimate use of force in Iraq and, second, gain the political and financial support of many UN members. Under conditions of increasing antiwar sentiment among the American population prior to the commencement of the presidential election campaign, moving toward the UN helps increase George W. Bush's freedom to maneuver.

"It is clear that the international community is interested in a rapid stabilization of the situation in Iraq, as well as in the formation of a government in Iraq that would be run by Iraqis. In this regard, *it is important to take into account the fact that this is not achievable in the context of an abrupt departure of American forces unless their mission has first been transferred to the United Nations*—a fact Russia understands very well.

"Russia has an interest in Washington returning to a position of collective action in dealing with crisis situations, to reject the unilateralism that has been on display in Iraq. *But Moscow understands that this can happen not through a crushing defeat of the United States in Iraq, but by the evolutionary turnaround of the Bush Administration toward involving the United Nations. This has already begun, and the essence of Russian policy is to encourage it forward.*

"And in support of this, Russia's relationship with the European countries is of vital importance. *During the last Iraqi crisis, Europe was essentially divided between those who supported U.S. military action and those who were opposed. Games based on these disagreements, however, are counterproductive. Russia's role might be to encourage European Union member-states, especially France and Germany, to take a position that combines their negative attitude toward the unilateral use of force with active support of collective efforts to stabilize the situation in Iraq, using the mechanism of the United Nations. And such actions should be developed in cooperation with the United States.* The development of such a consensus should evolve under the aegis of the United Nations in order to solve the problem of legitimacy and to establish the authority of the operation to reconstruct Iraq."

Relations With the EU

For the entire dozen years since the break-up of the Soviet Union, Russia has faced a relentless drive by Western interests, to make the huge country nothing but a raw materials looting ground. U.S. and European companies, as well as the international financial organizations, are involved, but foremost among them is British Petroleum, now called BP-Amoco. BP is very active in the Transcaucasus, on Russia's southern flank, and has effected a merger with the fourth largest Russian oil company, TNK.

President Putin has backed a crackdown on the Russian partners of these foreign interests, the so-called "Russian oligarchs," like former Yukos Oil CEO Mikhail Khodorkovsky, who are notorious for capital flight and the failure to invest for the long-term development of the real economy (even just of the oil industry), in addition to the kind of tax-evasion, for which Khodorkovsky is on trial. The spectre of "renationalizations" hangs in the Russian air: Members of the United Russia majority in the State Duma are pushing legislation that would provide for the renationalization of privatized companies that do not meet certain standards of performance.

Even the liberal economists in Russia's government now acknowledge that the overwhelming orientation of the country's economy to raw materials extraction is a dead-end street. Yet, it has proven extremely difficult to break out of, especially in the context of sky-high oil prices. Currently the Russian government is deeply split over whether rising revenues from oil-export taxes should be spent to pay down the foreign debt, or on real-sector investment. An article in the July issue of the Russian financial monthly *Valyutny Spekulyant* (Currency Dealer), asks if Russia will follow the fate of tiny Nauru, a Pacific island country that "had a powerful impulse for economic development, until an international consortium started mining phosphates there, depleted the phosphates, and left the island a desert. Now Nauru is an offshore zone, blacklisted by the [anti-money-laundering] Financial Action Task Force (FATF), and a nearly bankrupt state, teetering on the brink of a humanitarian catastrophe."

Russia is therefore highly sensitive to the content of its economic relations with Western Europe, where its biggest trading partners are situated. When the emphasis within the EU shifts away from the continental infrastructure-building perspective of a Jacques Delors, or LaRouche's "Paris-Berlin-Vienna Productive Triangle" plan, and toward ruthless enforcement of the Maastricht fiscal austerity agenda, including for the EU's new members in Eastern Europe—Russians take warning. The May 2004 Russia-EU summit reflected a step away from the enthusiastic collaboration on East-West transport corridors and related projects, which had topped the agenda of such meetings for the previous couple of years (although an EU-Russia seminar on transport corridors did take place on May 13).

As of February-April, it was not even clear if the summit would be able to take place. It took three months of intense negotiations, before Russia and the EU could agree to extend their Partnership and Cooperation Agreement (PCA), taking into account the expansion of the EU by ten new members on May 1. After the expansion, the EU accounts for over half of Russia's foreign trade, instead of the 36% before. The new members are East European countries, including the three Baltic states that were part of the Soviet Union. A mere extension of the previous Russia-EU PCA to those countries would have hit Russia with quotas, tariffs, and visa restrictions on business with countries that have been its major trading partners.

At the beginning of 2004, Russia submitted a list of 14 agenda items for discussion about desired changes in the PCA, including higher quotas for Russian exports to EU members. The European Commission in mid-February circulated a harshly worded policy paper, calling to toughen up in relations with Russia due to the latter's performance in a whole range of areas: human rights, democracy, freedom of the press, trade, border regimes, and the environment. The British press, especially, played up the conflict. The London *Economist* headlined Feb. 21, "Russia and the European Union: Dark Skies to the East."

On Feb. 23, EU foreign ministers pronounced the existing PCA the "cornerstone" of EU-Russia relations, adding that Russia should agree to renew it "without pre-condition or distinction by May 1," in order to "avoid a serious impact on EU-Russia relations in general." The ministers said, "The EU is open to discuss any of Russia's legitimate concerns over the impact of enlargement, but this shall remain entirely separate from PCA extension." That same day, Russian Deputy Foreign Minister Vladimir Chizhov told the *Financial Times* that EU expansion will cost Russia $375 million annually in lost trade. Stiffer conditions for the export of Russian aluminium, chemicals, grain, and nuclear fuel were of special concern, he said. "There have been no talks about compensation," a spokesman for EC Trade Commissioner Pascal Lamy said on March 27, "Nor will there be."

Ultimately, after Minister of Economic Development and Trade German Gref's negotiations in Berlin in March and the early-April visits of German Chancellor Gerhard Schröder and French President Jacques Chirac to Russia, on April 22 an EU Commission delegation under EC President Romano Prodi reached agreement with the Russians to extend the old PCA to the new EU. An accompanying joint statement, released at the April 27 signing of the new accord, took up disputed issues, including increased trade quotas and anti-dumping exceptions for Russian chemicals and steel industry exports to the new members; duty-free transit between the enclave of Kaliningrad and the rest of Russia, across Lithuania and Latvia; and the rights of the Russian-speaking population within EU member states. The latter remains a burning political issue in Russia.

Chizhov, who had conducted the negotiations, voiced Russia's caution about what had been achieved. He told NTV's Itogi program on April 27, "We advocate a Europe without dividing lines. . . . The EU has worked out a new concept, 'Wider Europe—New Neighborhood,' that covers the countries that will be the closest geographical neighbors of the EU—Belarus, Ukraine, Moldova—as well as the countries of Northern Africa and the Eastern Mediterranean. We have frankly warned our partners that if it turns out to be a new edition of the concept of creating 'limitrophs'—that is, buffer states—a concept that appeared 100 years ago, nothing will come out of it, as history has proved. Russia does not see itself either as an object or a subject of such policy."

What Is Europe?

by Helga Zepp-LaRouche

Helga Zepp-LaRouche, Chairwoman of Germany's BüSo party (Bürgerrechtsbewegung Solidarität—Civil Rights Movement-Solidarity), issued the following statement in the aftermath of the June 10-13 European Parliament elections. Mrs. Zepp-LaRouche led the candidates' slate of her party.

When, on May 1, many European Union (EU) politicians made speeches on the occasion of the European Union's enlargement, saying that this enlargement, now encompassing 455 million people in Europe, was the most important event of the epoch, every clear-headed individual had to know that there is no substance whatsoever to the EU bureaucracy's self-promotion. Not one single speaker had even an approximation of a vision, what Europe's role in solving the dramatic problems of the world in the 21st Century might look like. And there was not a word about a potential answer to the real problems inside Europe.

Only six weeks later, in the June 10-13 elections for European Parliament, this glorious self-promotion turned out to be one of many bubbles which are bursting—not just the ones on the financial markets. Voter participation—overall only at 45%—was only around 20% in the new member states in eastern Europe. In Poland, the three anti-Europe parties won the highest percentages—a storm warning of unprecedented events, if the Maastricht Treaty austerity policy, and the outsourcing into the new, cheap-labor countries, are not replaced by a clear policy of growth.

But also, in the old EU member-states, the results stemmed from the fact that the population does not feel represented by the governments: All acting governments—with the exception of those of Spain and Greece which had just recently been elected—were significantly punished. The ruling SPD [German Social Democrats] fell to its lowest result since the founding of the Federal Republic; Tony Blair's Labour Party fell to the lowest level since 1918.

Moreover, the election result generally reflects a mixture of fear of the future, flight from reality, and growing irrationality in the population, which feels abandoned with its existential problems. The fact that the Greens now have become the second strongest party in Berlin, Munich, and Cologne, and in some districts won up to 40%, reflects the fact that the '68er generation, and their children, are turning away from reality, and they have lost any understanding of how the foundations for a society's existence come into being. The [former communist] PDS won 30% in all of Brandenburg, and has become the strongest party there, while many so-called "single issue" parties gained more votes. Greetings from Weimar!

Deeply Worried

There is no doubt that the mental and psychological thinking in Germany is worried. Exactly for that reason, the election campaign of BüSo and the LaRouche Youth Movement was the most important aspect of the election campaign. Because the determining difference was, and is, that the BüSo does not appeal to existing opinions and prejudices with slogans; or address a PR-trained public with empty words like "peace" or "future" printed on large signboards; or hold election meetings with no discussion; but that we engage the population in a Socratic dialogue. And in these dramatic times of economic crisis and growing war danger, of which the situation in Southwest Asia is only symptomatic, a growing part of the population strongly wish to understand the true reasons for the global systemic crisis. Intensive discussions about the axiomatic reasons of the crisis were the subject of tens of thousands of conversations at information tables, and during rallies and election meetings where on an average, 50-100 people stayed for up to five hours to listen to presentations and engage in long and lively discussions.

From my point of view, there are two main aspects of this campaign. First: the young people in the BüSo—who sent the message, from groups of 20-25 young people in many cities—showed that there is a true alternative and a way out of the systemic crisis. "The BüSo is different from all other parties; they really have ideas," was an often-heard comment.

There was the impressive fact that there are young people, including in Germany, who do not accept the values of the Baby Boomer generation, of the '68ers and the "Bobos" (bourgeois bohemians), who have left them a world with no future. The idea that the youth must shape their future themselves, by acquiring the best concepts of universality, and on that basis initiate a new renaissance, found a lot of resonance, naturally, with young people. But it also impressed many older people, who reject the values of the entertainment and consumer society, and for whom their own intellectual development is important, so that they can take responsibility for the future.

Dialogue vs. Manipulating of Public Opinion

The second crucial aspect, in my view, was that in my many election meetings, there was a real dialogue with the population. And this dialogue, in which the citizens have the chance to form their own opinion concerning fundamental questions of their own life and future, is something that is wildly lacking today, because the mind is drowned by an increasingly insane entertainment industry, with mega-sports events and holiday insanity.

In these dialogues, there was hardly an issue that was not touched upon—from the obvious questions about the the torture scandals in Iraq, up to questions on the nature of man,

Activists of the LaRouche Youth Movement in Europe organizing in the streets of Cologne during the European Parliament elections; at right, the BüSo's Chairwoman and lead candidate Helga Zepp-LaRouche (center) speaks to young people in the city. "The election campaign of BüSo and the LaRouche Youth Movement was the most important aspect of the election," writes Zepp-LaRouche, because of its cultural optimism about a Europe of sovereign nation-states.

the whole spectrum of history, or the prospects of humanity for the 21st Century.

This dialogue, which gives the citizen a chance to understand the axiomatic foundations of his or her own thinking, and of others', is the most important matter today. Because only in this way is it possible to get out of the state which has paralyzed the political process in Germany, such that it has become almost impossible to find a consensus, even between two people, on whatever issue. Because inside the minds of most people, there is not a coherent worldview, but a *minestrone* which would astonish any Italian cook.

The ideas of the other parties are themselves the result of public opinion's manipulation during the entire period after the Second World War, a manipulation which aimed, eventually, at the present Babel-like confusion. Thus, you find politicians today, who on the one side demand public credit generation to overcome unemployment, but who then waste this appropriate approach on Keynesian absurdities like ecological projects. Or, there are some who have the social state and the general welfare in mind, but have become the cultural victims of the Frankfurt School, of the policy of the occupying forces. Others see the necessity of modernized, safe nuclear energy production, but otherwise repeat the sinister ideas of the neo-conservatives.

This present opinion-*minestrone* can only be understood, if one takes into consideration the different waves of manipulation of public opinion in post-war Germany.

There was the profound shock for most people in 1945—who asked themselves, aghast, how this deep fall of Germany had been possible; the ensuing re-education by the occupying powers, who at the same time took over elements of the Nazi structures into their own apparatus; the re-valuation of values—i.e., re-education—through ideologues selected by the occupying powers, in their own interests, in which the Frankfurt School played a decisive part as the educators of the '68 generation; and finally, the '68 revolution itself, which consciously put into question those values that had formed the basis for reconstruction after the end of the war.

The drug-rock-sex counterculture of the sixties; the Brandt education reforms, which consciously were directed against the Wilhelm von Humboldt ideal of universal education; the manipulated directing of the '68ers into the ecology movement; the attack of neo-liberal globalization against the social state—all of these paradigm shifts have significantly influenced the consciousness of a large part of the population, and have contributed to the fact that this population feels itself small and unimportant. "You cannot do anything!" "You cannot fight those power elites." Such, and similar complaints, express the opinion of resignation, of a large majority of Germans.

Liberation From Cultural Pessimism

For exactly this reason, it is most important to liberate people from this cultural pessimism; to free them from regarding themselves as underlings—which already had been a huge problem in Wilhelminian Germany—and to awaken in them the divine spark of their own creativity, and the consciousness of their own reason.

Put differently: It is the intention of the oligarchical forces of globalization—which is just another expression for an Anglo-American-dominated world empire—to systematically work to stultify people, because the oligarchy's control can only function if the majority of people are consciously kept in stupidity.

The BüSo is taking the more difficult road, to awaken the people out of their lethargy and cultural pessimism, and

An organizing delegation of the LaRouche Youth Movement in Cologne for the campaign, gathers in front of the city's 1,200-year-old cathedral.

transform them into active citizens.

But that is only possible, if the citizens grasp the reality as it really is: if they have no illusions about the historic and strategic situation, and the opportunities this situation offers. In this European election fight—which, as stated, took place immediately after the enlargement of the European Union—all other political parties propagated a whole series of seriously wrong assumptions:

1. The absolute failure of the EU governments, but also of the opposition parties, to admit the true state of the global financial system. People in the higher echelons of power, in fact, very well do admit behind closed doors, that this financial system is hopelessly bankrupt, and that the total breakdown of this system is only a question of a very short period of time. Since the population, on the other hand, realizes quite physically, that our bankruptcy and ungovernability is very near at hand, about 55% of German voters, and more than 80% of voters in Poland, stayed at home on the day of the European Parliament elections.

2. These same governments and political parties avoided everything that would give their people a sense of the urgency of this strategic situation. The illusion, that we are in an interregnum until after the U.S. elections in November, in which "nothing is about to happen"; and that after that, the ousting of Bush will somehow solve the problem, means nothing more than throwing sand in people's eyes. The reality is, rather, that today the world is threatened by the same geopolitical dangers, which in the second third of the 20th Century led to World War II.

Kerry's election victory, which is not at all certain given his present imitation of Bush's policy, would not solve the problem. It is only if that is understood, that it becomes clear: The efforts of Democratic pre-candidate Lyndon LaRouche must be supported by all means.

3). The assumption, that the EU communal system represents progress over the sovereign nation-state and the principles of the Peace of Westphalia, is another error, meant only to disguise the fact that any form of supranational bureaucracy always contains the danger of oligarchical and imperial structures. Only the sovereign nation-state can guarantee the inalienable rights of the individual, since the accountability of elected governments can only be secured in such a sovereign nation-state.

4. The present EU has absolutely no vision—and not the slightest idea—what, for example, Europe's relationship to Russia, China, the Arab world, Africa, or the United States should look like 50 years from now. The present EU policy does not go beyond the boundaries of a European policy in its own narrow "interests," but in the final analysis returns to the ideas of Hobbes. Rather, what we need today is the realization of the idea of a universal community of principle, which is guided by the common aims of mankind.

5. Any person who assumes that we are presently not directly facing—economically, financially, or strategically speaking—a potential catastrophe, also sees no necessity to change course, and to correct the mistakes of the last 40 years.

It is only the BüSo that has had anything to say about all of these questions. Therefore we will strengthen our dialogue with the population in future election fights, as well as in the weeks and months ahead, which are not an interregnum, but the very period of time in which the destiny of all of us will be decided.

Empire Strikes Back: Spanish Banks Recolonize Ibero-America

by Dennis Small

Over the period from 1997-2003, and into 2004 to date, a radical transformation of the Ibero-American banking sector has been wrought, a re-drawing of the financial map which has strategic economic implications on a global scale for the disintegrating monetary system, and crucial political ramifications involving the synarchist deployment of "left" and "right" terrorism throughout the Americas. Under the by-word of "globalization," and driven by the shockwaves emanating from a string of financial earthquakes stretching from Southeast Asia in 1997, to Russia and LTCM in 1998, to Brazil in 1999, and Argentina in late 2001, the banking systems of the nations of Central and South America have been forcibly transformed along lines imposed by the international financial oligarchy. These changes—which are as well the intended future of banking in other underdeveloped regions and the advanced sector, alike—include the following principal features, which we document and elaborate below:

1. After an extended period of growth, the size of the Ibero-American banking systems *shrank* by 4% between 1997 and 2003, from total assets of $882 billion down to $850 billion. On a per-capita or per-household basis, the fall was steeper—in the range of 15-20%

2. Foreign control over this shrinking total *grew* over this same period from about 35% in 1997, to 42% in 2003. Although significant, these total figures mask the critical fact that two Spanish banking giants—Banco Santander Central Hispano (BSCH) and Banco Bilbao Vizcaya Argentaria (BBVA)—nearly *doubled* the share of Ibero-American bank assets they control, from 9% of the region's total in 1997, to 17% in 2003. When the third largest foreign bank in the region, the United States' Citibank, is included, these top three banks today control nearly one-quarter of all Ibero-American bank assets—an astonishing level of foreign concentration and control.

Within this regional picture, Brazil continues to be the significant hold-out: foreign banks control only 21% of the total assets there, less than half the proportion for the region. If we exclude Brazil, the remainder of Ibero-America has 61% of its total bank assets in foreign hands. The high water mark, to date, has been reached in Mexico, where a stunning 82% of bank assets are under foreign control (see **Map 1**).

3. Total *lending* from this atrophied banking sector also imploded over the six-year period under review, collapsing by 6% in Argentina and Brazil, and by a shocking 22% in the case of Mexico—measured on a per household basis. Argentina, Brazil and Mexico are the three largest economies in Ibero-America.

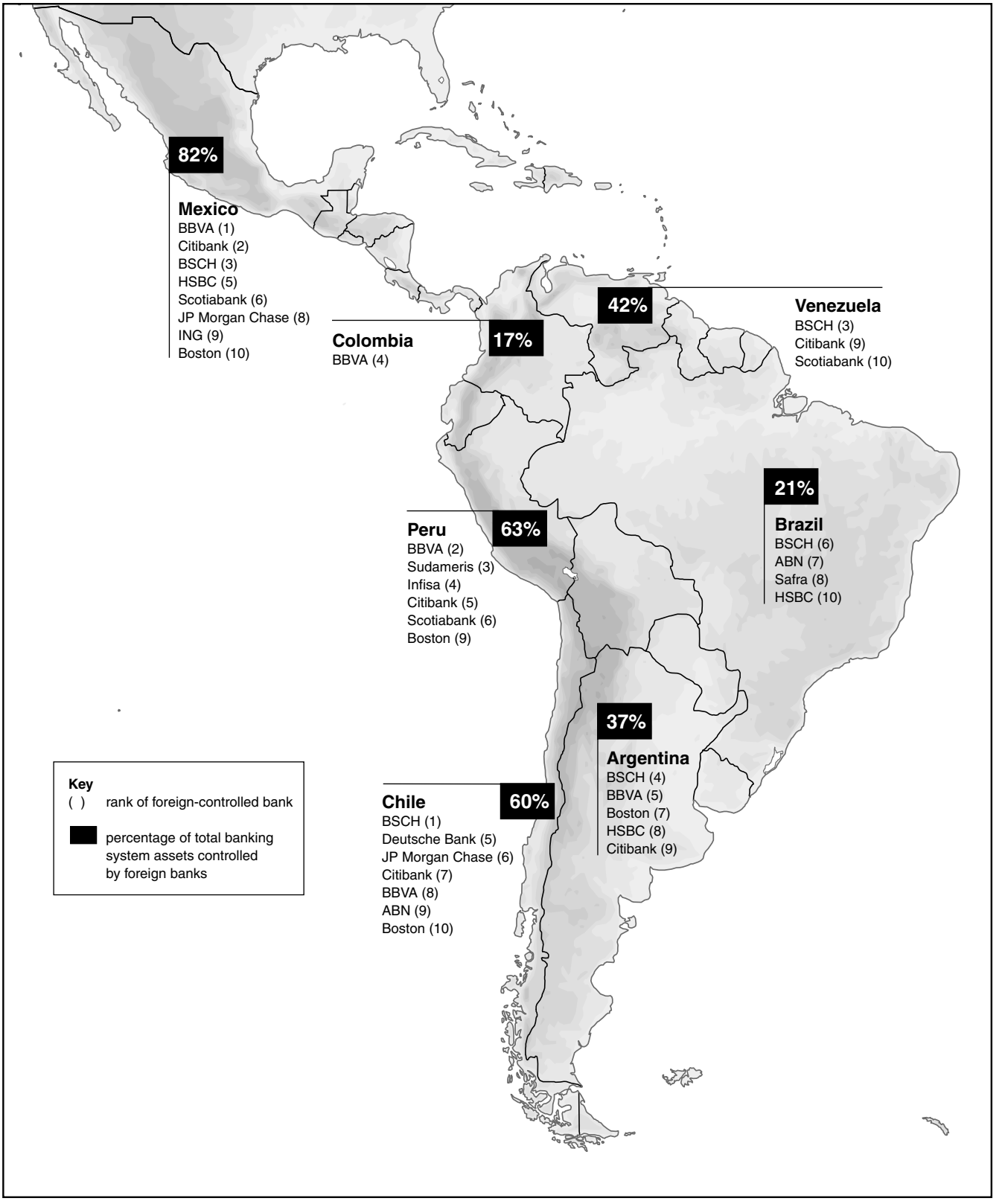
4. From this shrinking volume of loans, a sharply *diminishing percentage went to private companies and individuals* for potentially productive economic use. By 2003, the lion's share of bank loans outstanding had been channeled into purchases of government bonds, which paid the banks prodigious interest rates, while using the loans mainly to roll over existing public debt, including foreign debt. This *bankers' feeding at the public trough* produced a dramatic transformation: In Argentina, in 1997 only 10% of bank loans outstanding were in government paper, but by 2003 it had risen to 50%; in Brazil, it rose from 19% to 43% over those six years; and in Mexico, it was already at a high 41% by 1997, and rose further to 43% in 2003.

The combined effect of these shifts meant that, between 1997 and 2003, domestically-controlled loans issued to the private sector plummeted by 31% in Argentina, by 39% in Brazil, and by a staggering 67% in Mexico.

In a word, there is virtually no banking sector left in Ibero-America to meet the needs of domestic development. It has all been transformed into a gigantic suction pump of wealth into the hands of international financial interests.

MAP 1

Foreign Bank Control of Assets, by Country



5. Leading the way in this forced march of Ibero-America into globalized banking—under which no sovereign Nation-state shall survive—is the above-mentioned **BSCH,** the largest bank in Spain, and the sixth largest in Europe. The BSCH, with 15 banks spread across Ibero-America, is the second largest bank in the sub-continent, with $77 billion in assets. Only the state-owned giant Banco do Brasil is larger, with just under $80 billion in assets.

The BSCH is headed by Emilio Botín, a fourth-generation oligarchic banker who is widely estimated to be the richest man in Spain. He is an open advocate of speculative banking—he calls this "pure banking"—rather than industrial financing, and he has forged strategic alliances between the BSCH and a number of central players in the international synarchist banking apparatus: the Royal Bank of Scotland (one of the most powerful British banks, with intimate family links to the royal household); the Morgan banking empire; and the powerful Venetian insurance giant, Assicurazioni Generali, which, among other things, financed Mussolini's rise to power in Italy.

No surprise, then, that Botín is a major backer of Spain's Franco-ite party, the Partido Popular (PP), and its recently defeated Prime Minister José María Aznar. In fact, according to various accounts, it was Botín who "created" Aznar, flying the little known PP leader to London in his private jet for a hush-hush meeting with select British bankers, prior to his 1996 election as Prime Minister. Similarly, Botín reportedly brags that he "owns" Rodrigo Rato, Aznar's Finance Minister, who was appointed as the new head of the International Monetary Fund in March 2004.

As the Madrid correspondent for the London *Economist* put it, Botín and Aznar "wanted to put Spain back where they felt it belonged at the center of a resurgent hispanic world," i.e., they seek *the Spanish re-colonization of Ibero-America on behalf of international financial interests.* This is the financial underpinning of the synarchist policy outlook reflected in the old Carlist dream, as former Uruguayan President Juan María Bordaberry recently urged, of "the reunification, first of awareness, and then in deeds, of Hispanic America and the King." Or, as the aggressively nostlagic president of the Carlist Argentine Traditionalist Brotherhood of Carlos VII, Federico Ezcurra Ortiz, stated: "We are part of that great Spanish empire as much as any of the regions of the Peninsula."

This summarily-described transformation of Ibero-American banking over the last six years has the following, broader implications:

• *Virtually no economic sovereignty remains* among the nations of Ibero-America, and the developing sector as a whole, as Lyndon LaRouche has frequently noted. A nation that does not control its own issuance and deployment of credit, has no sovereignty. The proper function of the banking and credit system of a nation, as American System exponent Alexander Hamilton so eloquently explained in his 1790 *Report on a National Bank* (see box), is to foster productive economic activity. Good banking is like the circulatory system of a living body, which delivers abundant cheap credit to all areas of productive economic activity. Today, the nations of Ibero-America don't even own their own blood.

• *There is no longer a significant distinction between domestic debt and foreign debt* in developing sector nations. As *EIR* was the first to note, back in 1993, portions of the domestic debt were becoming "internationalized" in various ways (such as the domestic issuance of dollar-denominated government bonds), and were thus de facto foreign obligations. For all intents and purposes, that process is now complete: the "domestic" banks holding government bonds are now largely foreign-controlled, while the national monetary systems have become progressively dollarized.

What we are looking at is a *single, global financial bubble*—not two distinct bubbles of foreign and domestic debt—which, like a cancer, has spread into and taken over the financial structure of every Ibero-American nation. This finding has economic implications, regarding the process of global financial disintegration; and political implications, regarding the steps which must be taken by nations seeking to ensure their survival under current global conditions.

• *The 1997-2003 issuance of a "wall of money" by the G-7 central banks never reached the Ibero-American financial system* as such—nor was it meant to. The financial oligarchy's policy decision to react to the global debt crises beginning in Asia in 1997, by pumping prodigious amounts of liquidity into the system, went exclusively to further inflate the speculative debt bubble held by the creditors. Thus we have the phenomenon of a contraction of Ibero-America's banking system—and especially of its potentially productive lending to the real economy—under conditions of global hyperinflation. The physical economies are starving to death, while the global financial system drowns in a tidal wave of speculative financial aggregates.

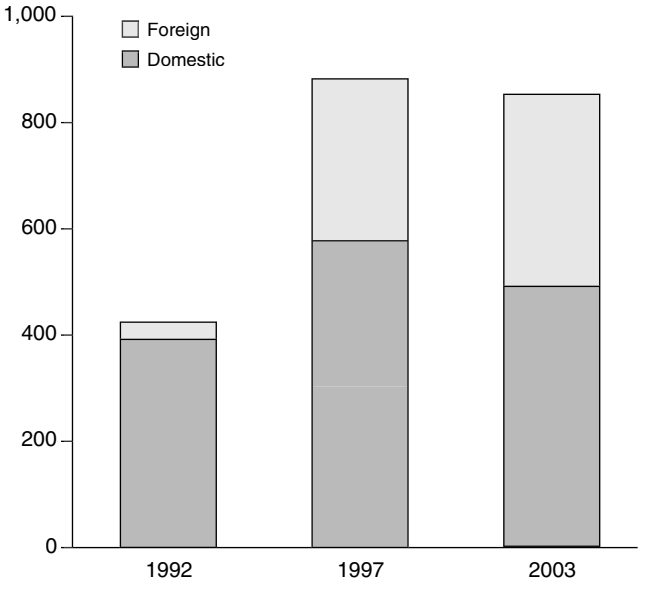
What the Argentina Crisis Revealed

In its Aug. 27, 1997 issue, *EIR* published a feature titled *British banks establish death grip over Ibero-America,* which documented the foreign banking takeover of the region that was underway, as reflected in data covering the five-year period between 1992 and 1997. We now return to the scene of the crime, to look at what happened subsequently, over the six years from 1997 through 2003.

In **Figure 1,** we see the evolution of the total bank assets of Ibero-America over these two time frames.[1] From 1992-1997, total assets grew by 108%, and the foreign-controlled

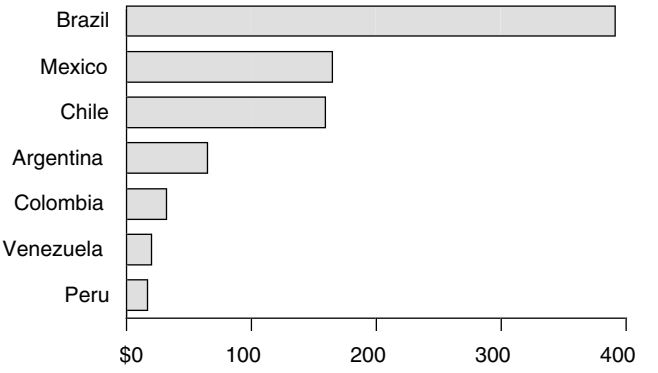
1. Throughout this study, when we report the *total* for Ibero-America, we are taking the sum of the seven largest economies of the region—Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela. These seven comprise over 80% of the total bank assets of the entire Ibero-American region, just as their GNP's constitute about 90% of the regional total.

FIGURE 1
Control of Total Bank Assets
(Billions of Dollars)



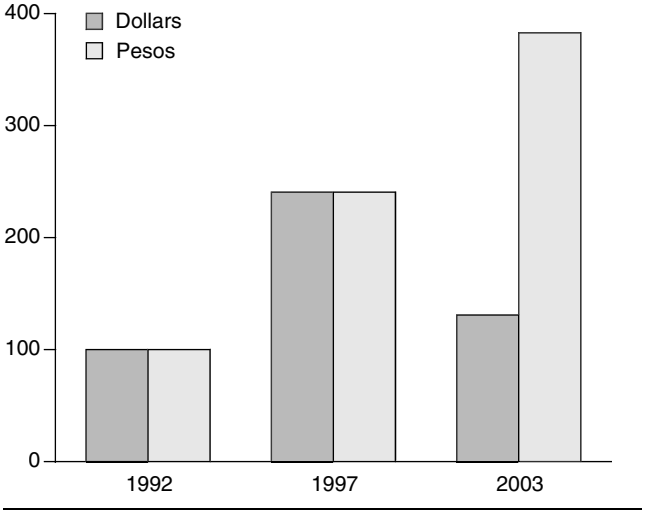
Sources: Argentina: Central Bank; Brazil: Central Bank; Chile: Superintendency of Banks and Financial Institutions; Colombia: Banking Superintendency; Mexico: National Banking and Stock Market Commission; Peru: Superintendency of Banks and Insurance; Venezuela: Superintendency of Banks and Other Financial Institutions; Salomon Smith Barney.

FIGURE 2
Bank Assets in 2003, by Country
(Billions of Dollars)



Sources: Argentina: Central Bank; Brazil: Central Bank; Chile: Superintendency of Banks and Financial Institutions; Colombia: Banking Superintendency; Mexico: National Banking and Stock Market Commission; Peru: Superintendency of Banks and Insurance; Venezuela: Superintendency of Banks and Other Financial Institutions; Salomon Smith Barney.

FIGURE 3
Argentina: Bank Assets, Dollars vs. Pesos
(Index 1992 = 100)



Source: Central Bank of the Argentine Republic.

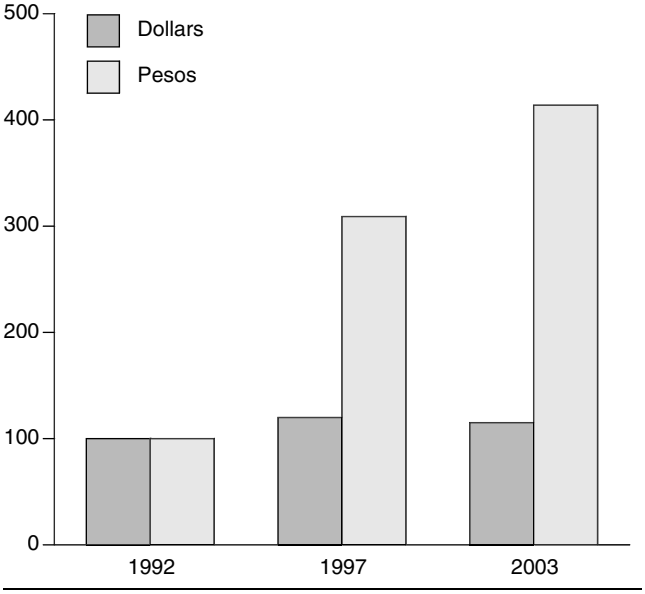
portion rose from 8% of the total in 1992, to 35% in 1997.[2] But then from 1997-2003, total assets shrank by 4%, while the foreign controlled share kept increasing up to 42% of the total. **Figure 2** shows bank assets, by country, as of December 2003: Brazil clearly dominates, with assets of $391 billion, which is more than double the size of the next largest banking system, that of Mexico ($165 billion).

One of the principal reasons for the 1997-2003 contraction of bank assets across Ibero-America, is the process of forced devaluations of local currencies that accompanied the waves of speculative assaults against those nations. For example, Argentina's bank assets, as measured in dollars and pesos, moved up in one-to-one tandem between 1992 and 1997, as the parity of the Argentine peso was fixed at one to the dollar (see **Figure 3**). But from 1997 to 2003, assets calculated in pesos continued to rise (albeit at a slower rate than before), but those assets expressed in dollars plummeted, as a result of the massive devaluation imposed on Argentina in January 2002. In other words, the devaluation made the banking system's assets held in pesos relatively worthless, in the dollarized environment of global finance.

A similar proccess occurred in Brazil, which also maintained a one-to-one parity between the real and the dollar through 1997, and then was forced to devalue in 1998; and in

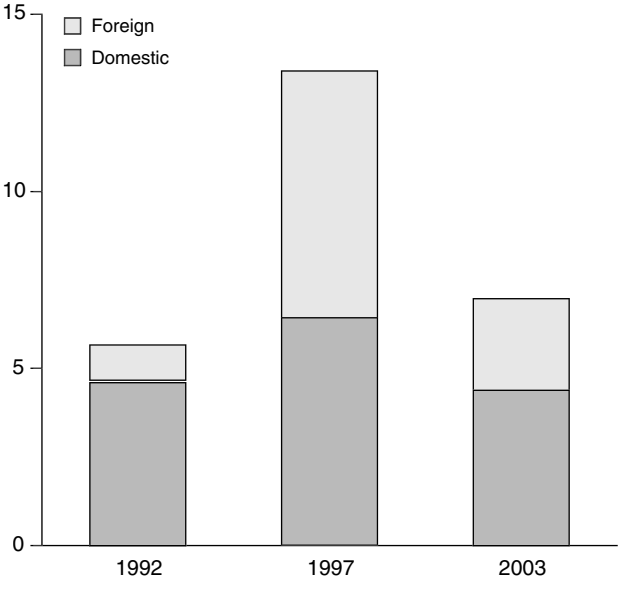
2. By foreign control of a bank, we signify the direct foreign ownership of 20% or more of a bank's assets. Other studies, such as Salomon Smith Barney's *Foreign Financial Institutions in Latin America*, Nov. 28, 2001, take 40% as the dividing line. The results of the two calculations are nearly identical.

FIGURE 4
Mexico: Bank Assets, Dollars vs. Pesos
(Index 1992 = 100)



Source: National Banking and Stock Market Commission, Mexico.

FIGURE 5
Argentina: Control of Bank Assets
(Thousands of Dollars per Household)



Sources: Central Bank of the Argentine Republic; Salomon Smith Barney; *EIR*.

Mexico, whose peso was progressively devalued over the last decade (**Figure 4**).

Turning to look at the relative size and control over the banking systems in these same three countries—which we present on a per-household basis in order to make them intercomparable with each other and also proportional to their respective real economic demographic base—we see some revealing developments.

In the case of Argentina, the banking system collapsed by almost *half* (48%) in the wake of the 2001 debt crisis (see **Figure 5**). As part of this, there was a significant pull-back of foreign exposure in the banking system, such that the foreign-controlled share actually dropped from 52% of the total in 1997, to 37% in 2003. The combined effect left domestically-controlled bank assets of only $4,400 per household—down by a third from the $6,400 of 1997, and *less* than what it had been more than a decade earlier, in 1992 ($4,600).

What happened was that there was massive capital flight out of the Argentine banking system in the second half of 2001, induced by a foreign speculative assault on the country, and enhanced by the vulnerability of having total dollar convertibility and zero capital or exchange controls—as demanded by the International Monetary Fund over the previous decade, when Argentina was its poster boy. With capital fleeing the country full throttle, the Argentine government finally froze all bank accounts in the country in December 2001—closing the barn door after most of the horses had left. The foreign banks—led by the Spanish giants BSCH and BBVA—refused to back up the deposits caught by the government's freeze, and announced plans to reduce their exposure in Argentina. Some foreign banks, such as Canada's Scotiabank, quit the country altogether. Citibank, FleetBoston and Britain's HSBC (HongShang) all announced they would make no further investments in Argentina for the forseeable future. As a result, foreign control over Argentine bank assets dropped from 53% in 2001, to 37% today.

This Argentina pattern shows up in Ibero-America as a whole, where foreign control achieved a high water mark in 2001 of 48% of the total, and then fell back to 42% in 2003. As one United Nations study put it, "The explosive expansion of foreign banks has been reversed over the last few years, mainly as a result of the crises in Brazil and Argentina, which forced several of them to close down their operations."[3]

This "cut-and-run" approach puts the lie to the self-serving promotionals put out by outfits such as Salomon Smith Barney, a Citibank subsidiary, which wrote in a Nov. 28, 2001 report that foreign banks contribute to "an overall decrease in systemic risk" in Ibero-America, because they have "access to additional capital in times of crisis." Speaking of Argentina in particular, they argued that "the presence of foreign banks might be seen as a bulwark for the entire banking system."

3. *Foreign Investment in Latin America and the Caribbean, 2003,* UN Economic Commission on Latin America and the Caribbean.

Equally amusing—given what actually happened in Argentina—is the preposterous claim of the Milken Institute in a November 2002 report—*The Foreign Conquest of Latin American Banking: What's Happening and Why?*—that "the presence of foreign financial firms is more likely to reduce capital flight."

In **Table 1,** we present a picture of the top 10 banks operating in Argentina—as we do for the other six countries studied. This shows that the two largest banks in Argentina are still the state-owned Banco de la Nación—which has been heavily, but so far unsuccessfully targetted for privatization over recent years—and Banco de la Provincia de Buenos Aires. Banco Galicia, a domestic private bank held by the Escanasy, Ayerza, and Braun families for 50 years, is holding on to third place, after almost going belly-up in 2002.

Galicia was especially hard hit by a run on deposits in December 2001, and the government almost nationalized it at that point. Then a 2002 scandal involving its sister Banco Galicia in neighboring Uruguay led to the loss of another $3.5 billion in deposits. Smelling blood in the water, various foreign banks tried to buy out the distressed Galicia, including Spain's BBVA and BSCH—which is already the main minority stockholder in Galicia with 7% of its capital. But the Argentine government came to the rescue—at least for now—providing nearly $2 billion from the Central Bank to cover the run on deposits, bolstered by an additional $4 billion in Central Bank "advances," according to press acounts.

Foreign and Domestic Vultures

In the case of Brazil (see **Figure 6**), foreign control has been held to a relatively low 21% of total assets, even as total bank assets dropped by 20% between 1997 and 2003. Today, total domestically-controlled assets per household stand at about $7,000—nearly double the 1992 level. Of the foreign banks operating in Brazil, the biggest is Spain's BSCH, which established a significant beachhead with its November 2000 purchase of the privatized São Paulo state bank, Banespa, today the sixth-largest in the country. But the two largest banks in the country remain the state-run Banco do Brasil—at $80 billion in assets, the largest on the continent—and Caixa Econômica Federal. Together, they hold fully one-third of the assets of the entire Brazilian banking system (see Table 1).

The next three largest banks are all private, domestically-controlled institutions: Bradesco, Itaú, and Unibanco. They have been kept flush with liquidity and able to ward off foreign takeover attempts, largely by the astronomical amounts of loot shoveled in their direction by the Federal government, in the form of bonds carrying the highest real interest rates on the planet (about which more below).

As for Mexico (see **Figure 7**), total assets fell by 20%

Hamilton on Banking and Credit

In his Report on a National Bank*, issued to the U.S. House of Representatives on Dec. 13, 1790, U.S. Treasury Secretary Alexander Hamilton discussed the need to establish a public National Bank, and the proper role of banking in general. Brief excerpts follow.*

It is one of the properties of Banks to increase the active capital of a country. . . . This additional employment given to money, and the faculty of a bank to lend and circulate a greater sum than the amount of its stock in coin are, to all the purposes of trade and industry, an absolute increase of capital. . . . And thus by contributing to enlarge the mass of industrious and commercial enterprise, banks become nurseries of national wealth. . .

It is immaterial what serves the purpose of money, whether paper or gold and silver; that the effect of both upon industry is the same; and that the intrinsic wealth of a nation is to be measured, not by the abundance of the precious metals, contained in it, but by the quantity of the productions of its labor and industry. . . . It is certain that the vivification of industry, by a full circulation, with the aid of a proper and well regulated paper credit, may more than compensate for the loss of a part of the gold and silver of a Nation. . . .

Well constituted Banks favour the increase of the precious metals. It has been shewn, that they augment in different ways, the active capital of the country. This, it is, which generates employment; which animates and expands labor and industry. Every addition, which is made to it, by contributing to put in motion a greater quantity of both, tends to create a greater quantity of the products of both. . . .

[We must take] precautions to guard against a foreign influence insinuating itself into the Direction of the Bank. . . . Such a Bank is not a mere matter of private property, but a political machine of the greatest importance to the State. . . .

Banks are among the best expedients for lowering the rate of interest, in a country. . . . The natural effect of low interest is to increase trade and industry; because undertakings of every kind can be prosecuted with greater advantage. . . . Every thing, therefore, which tends to lower the rate of interest is peculiarly worthy of the cares of Legislators.

TABLE 1

Top 10 Banks, By Country

Argentina

Rank	Bank	2003 Assets (Billions $)	% of Total Assets	Control	% Foreign Ownership	Dominant Foreign Bank
1	Nación	12.3	19%	state		
2	Provincia de Buenos Aires	7.7	12%	state		
3	Galicia	7.3	11%	private		
4	Río de la Plata	5.0	8%	foreign	95%	BSCH
5	Francés	4.8	7%	foreign	67%	BBVA
6	Hipotecario	2.6	4%	state		
7	Boston	2.6	4%	foreign	100%	FleetBoston
8	HSBC	2.4	4%	foreign	100%	HSBC
9	Citibank	2.1	3%	foreign	100%	Citibank
10	Ciudad de Buenos Aires	2.0	3%	state		
	Sub-total, top 10	*48.7*	*75%*			
	Country Total	**65.3**				

Brazil

Rank	Bank	2003 Assets (Billions $)	% of Total Assets	Control	% Foreign Ownership	Dominant Foreign Bank
1	Banco do Brasil	79.7	20%	state		
2	Caixa Econômica Federal	52.1	13%	state		
3	Bradesco	50.9	13%	private		
4	Itaú	38.1	10%	private		
5	Unibanco	22.0	6%	private		
6	Santander Banespa	19.7	5%	foreign	98%	BSCH
7	ABN Amro	18.8	5%	foreign	88%	ABN Amro
8	Safra	11.8	3%	foreign	100%	Safra
9	Nossa Caixa	9.5	2%	state		
10	HSBC	9.1	2%	foreign	100%	HSBC
	Sub-total, top 10	*311.8*	*80%*			
	Country Total	**391.2**				

Chile

Rank	Bank	2003 Assets (Billions $)	% of Total Assets	Control	% Foreign Ownership	Dominant Foreign Bank
1	Santander	26.5	17%	foreign	84%	BSCH
2	Chile	20.9	13%	private		
3	del Estado	17.7	11%	state		
4	Crédito e Inversiones	12.9	8%	private		
5	Deutsche Bank	12.5	8%	foreign	100%	Deutsche Bank
6	JP Morgan Chase	10.5	7%	foreign	100%	JP Morgan Chase
7	Citibank	10.5	7%	foreign	100%	Citibank
8	BBVA	8.7	5%	foreign	63%	BBVA
9	ABN Amro	7.6	5%	foreign	100%	ABN Amro
10	Boston	6.1	4%	foreign	100%	FleetBoston
	Sub-total, top 10	*133.9*	*84%*			
	Country Total	**159.4**				

Colombia

Rank	Bank	2003 Assets (Billions $)	% of Total Assets	Control	% Foreign Ownership	Dominant Foreign Bank
1	Bancolombia	4.3	13%	private		
2	Banco de Bogotá	3.2	10%	private		
3	Bancafé	2.3	7%	state		
4	BBVA Banco Ganadero	2.2	7%	foreign	85%	BBVA
5	Banco Agrario	2.0	6%	state		
6	Davivienda	1.8	6%	private		
7	Occidente	1.7	5%	private		
8	Conavi	1.6	5%	private		
9	Banco Popular	1.5	5%	private		
10	Colpatria	1.3	4%	private		
	Sub-total, top 10	*21.9*	*69%*			
	Country Total	**31.9**				

(continued on following page)

TABLE 1 *(continued)*

Mexico

Rank	Bank	2003 Assets (Billions $)	% of Total Assets	Control	% Foreign Ownership	Dominant Foreign Bank
1	BBVA Bancomer	43.2	26%	foreign	100%	BBVA
2	Banamex	36.3	22%	foreign	100%	Citibank
3	Santander Serfín	21.8	13%	foreign	100%	BSCH
4	Banorte	18.2	11%	private		
5	Bital	15.8	10%	foreign	99%	HSBC
6	Scotiabank Inverlat	8.5	5%	foreign	91%	Scotiabank
7	Inbursa	5.4	3%	private		
8	JP Morgan Chase	3.5	2%	foreign	100%	JP Morgan Chase
9	ING Bank	1.6	1%	foreign	100%	ING Bank
10	Boston	1.4	1%	foreign	100%	BankBoston
	Sub-total, top 10	*155.6*	*94%*			
	Country Total	**165.0**				

Peru

Rank	Bank	2003 Assets (Billions $)	% of Total Assets	Control	% Foreign Ownership	Dominant Foreign Bank
1	Crédito	5.6	33%	private		
2	BBVA Continental	3.6	21%	foreign	100%	BBVA
3	Wiese Sudameris	3.0	18%	foreign	97%	Sudameris
4	Interbank	1.6	9%	foreign	91%	Infisa
5	Citibank	0.6	4%	foreign	100%	Citibank
6	Sudamericano	0.6	4%	foreign	30%	Scotiabank
7	Interamericano	0.5	3%	private		
8	Financiero	0.5	3%	private		
9	Boston	0.4	2%	foreign	100%	FleetBoston
10	Trabajo	0.3	1%	private		
	Sub-total, top 10	*16.7*	*98%*			
	Country Total	**17.1**				

Venezuela

Rank	Bank	2003 Assets (Billions $)	% of Total Assets	Control	% Foreign Ownership	Dominant Foreign Bank
1	Provincial	3.1	15%	foreign	54%	BBVA
2	Mercantil	3.1	15%	private		
3	Venezuela	2.8	14%	foreign	99%	BSCH
4	Banesco	2.5	12%	private		
5	Industrial de Venezuela	1.1	6%	state		
6	Occidental de Descuento	1.1	5%	private		
7	Exterior	0.6	3%	private		
8	Venezolano de Crédito	0.6	3%	private		
9	Citibank	0.5	3%	foreign	100%	Citibank
10	Caribe	0.5	3%	foreign	27%	Scotiabank
	Sub-total, top 10	*15.9*	*78%*			
	Country Total	**20.3**				

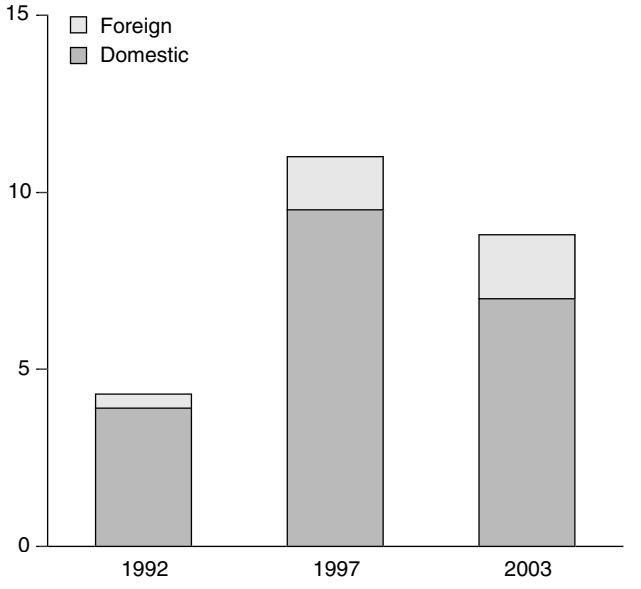
Sources: Argentina: Central Bank; Brazil: Central Bank; Chile: Superintendency of Banks and Financial Institutions; Colombia: Banking Superintendency; Mexico: National Banking and Stock Market Commission; Peru: Superintendency of Banks and Insurance; Venezuela: Superintendency of Banks and Other Financial Institutions; Salomon Smith Barney.

from 1997-2003—about the same proportion as in Brazil. But here, foreign control zoomed from an already high 59% of total assets, to a huge 82%, leaving a pathetic $1,200 per household in domestically-controlled assets—one-third of the Argentine level, less than a fifth of Brazil's, and a whopping two-thirds drop from Mexico's own levels of 1997.

The foreign takeover binge in Mexico was centered on three major moves:

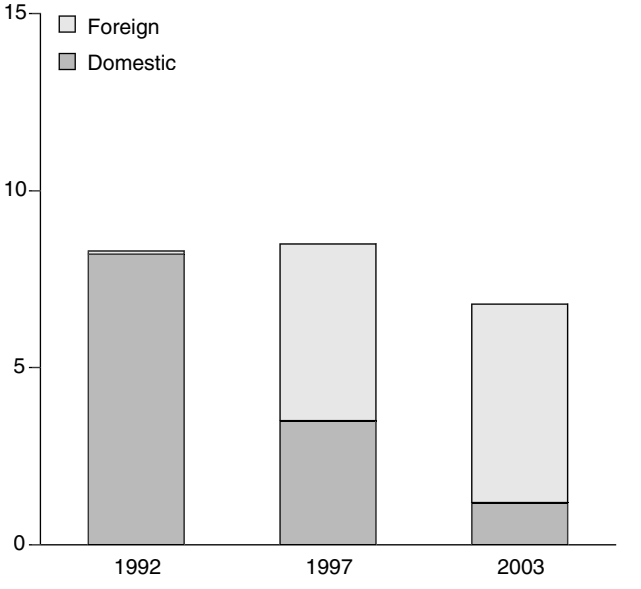
- In May 2000, BSCH bought up Banca Serfín and subsequently merged it with its existing subsidiary, Santander Mexicano, to form Santander Serfín, the country's third-largest bank with almost $22 billion in assets.
- One month later, rival Spanish bank BBVA bought a controlling 59% share of Mexico's largest bank, Bancomer, with $43 billion in assets, more than a quarter of the entire Mexican banking system. In March of 2004, BBVA pur-

FIGURE 6
Brazil: Control of Bank Assets
(Thousands of Dollars per Household)



Sources: Central Bank of Brazil; Salomon Smith Barney; *EIR.*

FIGURE 7
Mexico: Control of Bank Assets
(Thousands of Dollars per Household)



Sources: National Banking and Stock Market Commission, Mexico; Salomon Smith Barney; *EIR.*

chased the remaining 41% of Bancomer stocks.

• In May 2001, Citibank staged its own coup by snapping up 100% of Mexico's second-largest bank, Banamex, with over $36 billion in assets.

These three banks—now entirely in foreign hands—comprise nearly two-thirds of the Mexican banking system. One might ask: Did the foreign banks move into Mexico to help finance the country's productive economic development? Not a chance. Each was driven in large measure by the prospect of getting in on the rapidly growing "remittance industry"—as the $13 billion per year that Mexican workers in the United States send back to their families in Mexico, is quaintly referred to in the banking literature. Mexico, looted by the IMF and its foreign banking creditors, has been driven to export its own labor force in order to survive. With a 50% real unemployment rate, growing masses of impoverished and desperate peasants and others are crossing the border into the United States, in search of any kind of job, no matter how low the wage.

The Mexican government of Vicente Fox welcomes the $13 billion in dollars remitted to Mexico, and uses the foreign exchange to pay the foreign debt. Mexican banks make a killing on these financial transfers. Bancomer BBVA, for example, is estimated to control a 42% market share of this "remittance industry"—almost $5.5 billion in business in 2003. In fact, BSCH decided to sell 25% of its Santander Serfín assets to Bank of America in December 2002, in order to gain access to BoA's substantial banking network *inside* the U.S., and try to get in on the action on the remittance front.

Don't assume that such financial vulture tactics are limited to Mexico's *foreign*-controlled banks, however. Look at the only two domestically-controlled banks in Mexico's Top 10: Banorte (4) and Inbursa (7). According to the British credit rating agency Fitch, Inbursa—owned by Carlos Slim, the richest man in Ibero-America—specializes in banking "activities of a volatile nature," making "financial investment in corporate paper and international bonds of a speculative rating."

As for Banorte, the bank is owned by Roberto González Barrera, best known as the the owner of MASECA, the largest tortilla producer in North America, and the businessman who helped former Mexican president Carlos Salinas de Gortari flee the country in González Barrera's private jet in March 1995. He is also on the General Council of Assicurazioni Generali, the synarchist Venetian insurance company strategically allied to Spain's BBVA. As for what Banorte does as a bank, we leave it to the skilled linguists of "bankerese" at Smith Barney, who tried to explain it in their own words in their Jan. 7, 2004 report, *Mexican Banking System:*

> Banorte was not immune to the financial crisis that hit the country in 1995 . . . [and] like most of its peers,

participated in many of the [government's] rescue programs. . . . Banorte acquired two banks, Bancen (in 2000) and Bancrecer (in 2001), which . . . gave the bank the opportunity to engage in a unique business: the administration of nonperforming assets.

Both of the banks that Banorte acquired had a large portfolio of nonperforming loans. As part of Banorte's acquisition agreement with the Mexican government, the bank agreed to acquire Bancen and Bancrecer from the government, but without their respective nonperforming assets. The Mexican government agreed to this proposal; however, Banorte had to take on [government-issued] FOBAPROA bonds in lieu of the bad loans. Today, these FOBAPROA loans represent more than 42.3% of Banorte's total earning assets.

Given Banorte's large FOBAPROA bond portfolio, the bank decided to administer the associated bad loan portfolio on behalf of the government for a fee. In addition, later on, it bid for the administration of other banks' bad loan portfolios and also decided to actively participate in the purchase of distressed debt. These activities have been profitable for the bank, representing more than 30% of the bank's earnings.

In 1997, Banorte reached another strategic agreement, this time with Assicurazioni Generali of Italy, to tap into the insurance and private pension business in Mexico. . . .

Banorte has established an important presence in the loan recovery and administration business of nonperforming loans . . . Banorte's most outstanding achievement in this business is the purchase of nearly 42% of the portfolios auctioned by the Mexican government, resulting in an average recovery ratio of 40% of face value. In this particular business, return on investment on many of these assets has been more than 100%.

Such are the ways of today's *vulture funds,* recently made famous in the ongoing negotiations over Argentina's $88 billion public debt default in 2001: they pick over the carrion of a dying financial system, and the devil take the hindmost—and the people of the victimized nations.

The evolution of foreign control of banking in the rest of the continent, and of its Spanish component in particular, is summarized in **Table 2.** In the case of Colombia, the indicated drop from 51% in 1997 to 17% foreign control in 2003, undoubtedly overstates the actual decline. Although Colombian financial sources tell *EIR* that there has in fact been foreign net dis-investment in the Colombian banking sector, they estimate that current control is in reality in the 25% range. It is also worth noting that Colombia's official bank statistics do not reflect the presence of vast sums of illegal drug dollars washing through the economy. In many cases, the banks play the role of off-the-books intermediaries in money-laundering operations, which are not included in their official data, but are nonetheless a substantial part of their activities. In other cases, drug dollars circulate outside the formal banking system as such, in "exchange houses" and other locations.

TABLE 2
Evolution of Foreign Control of Bank Assets
(% of Total Assets)

	Foreign Control		Spanish Control	
	1997	**2003**	**1997**	**2003**
Argentina	52%	37%	13%	15%
Brazil	14%	21%	0%	5%
Chile	56%	60%	26%	22%
Colombia	51%	17%	27%	10%
Mexico	59%	82%	15%	39%
Peru	42%	63%	22%	21%
Venezuela	41%	42%	31%	29%
Total	**35%**	**42%**	**9%**	**17%**

Sources: Argentina: Central Bank; Brazil: Central Bank; Chile: Superintendency of Banks and Financial Institutions; Colombia: Banking Superintendency; Mexico: National Banking and Stock Market Commission; Peru: Superintendency of Banks and Insurance; Venezuela: Superintendency of Banks and Other Financial Institutions; Salomon Smith Barney.

Such drug-related financial activities are undoubtedly a significant factor in the banking systems of other Ibero-American countries as well, if less dominantly so than the Colombian case; but we have not attempted to capture this component in the current study.

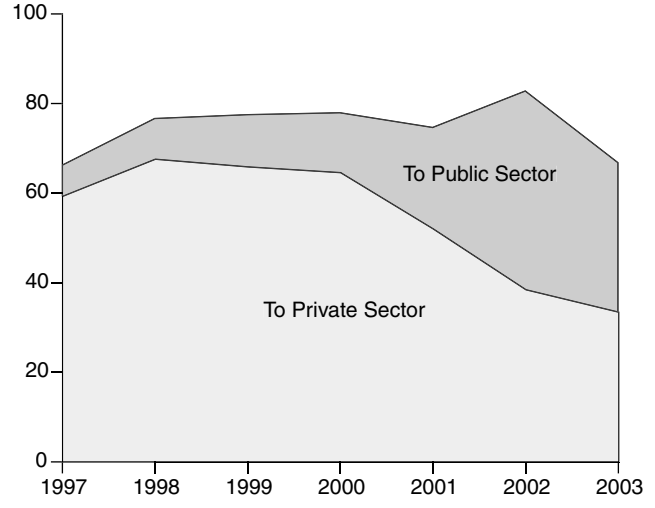
Feeding at the Public Trough

The case of Banorte's dependence on income generated by investments in government bonds, is only typical of a trend which is sweeping Ibero-America like wildfire: Banks have shifted out of lending to the private sector (both corporate and consumer debt), and, like pigs, have gone to feed at the public trough of governments' bonded debt.

The foreign banks in Ibero-America have led the way. As the Milken Institute study delicately put it, "The allocation of [bank] assets to government securities is greater for foreign banks in every country" in Ibero-America, as compared to domestically controlled banks.

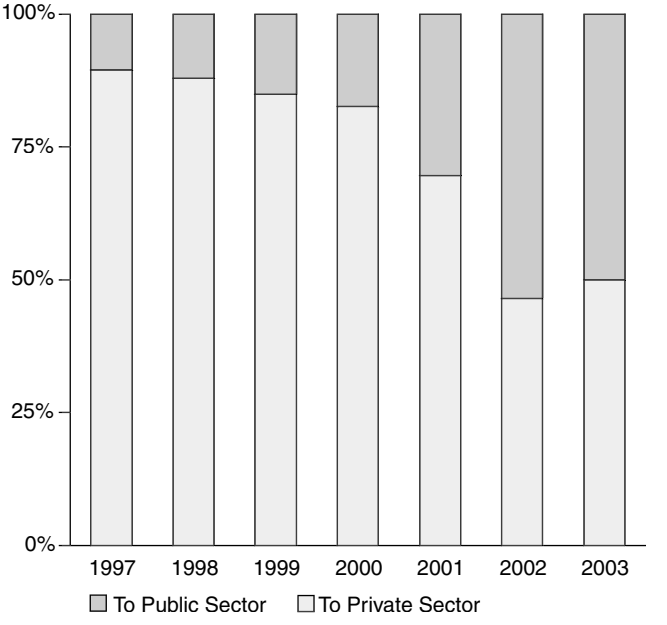
The interest rates that the region's governments are obliged to pay on their bonds, have been conveniently driven up by credit rating agencies such as Moody's, Standard & Poor's, and Fitch; by the omnipotent dictator of "country risk" spreads for these nations, JP Morgan Chase; and by relentless international speculative assaults against their currencies. This has all been to the benefit, principally, of the foreign banks allied with these agencies, and who hold the government paper. In fact, it is no exaggeration to say that, *without*

FIGURE 8
Argentina: Bank Loans Outstanding, by Sector
(Billions of Dollars)



Source: Central Bank of the Argentine Republic.

FIGURE 9
Argentina: Bank Loans Outstanding, by Sector
(% of Total)



Source: Central Bank of the Argentine Republic.

this disguised government bail-out in the form of massive interest flows on artificially inflated public debt, the banking systems of most Ibero-American nations would have been forced to declare formal bankruptcy years ago.

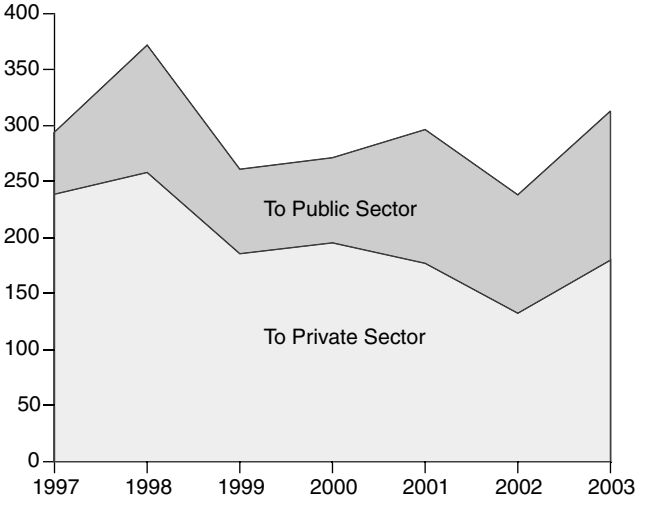
As the handmaiden of this shift in banking activity—from traditional banking into modern-day blackmail and usury—the IMF and the creditor banks have developed a convenient obsession with what has come to be known as the *PBS*—the Primary Budget Surplus of the government. This is defined as government income minus expenditures, *exclusive of debt service payments.* In other words, it measures the resources the government is able to squeeze out of the domestic economy, and channel into paying off its mountainous public debt. This has become the *central issue* in all IMF negotiations with Argentina, Brazil and other debtor nations.

Consider the case of Argentina (**Figure 8**). Total bank loans outstanding stagnated over the period 1997 to 2003, but the component going to the business and consumer private sector shrivelled by 44%, while loans to the public sector (i.e., purchase of government bonds) skyrocketed by 381% over the same period. As a result, loans outstanding to the public sector leapt from 10% of the total in 1997, to 50% in 2003 (see **Figure 9**).

In Brazil we see a similar trend: Total loans also stagnated, while the public component grew by 141% (see **Figure 10**). By 2003, the public portion was 43% of the total—up from 19% in 1997.

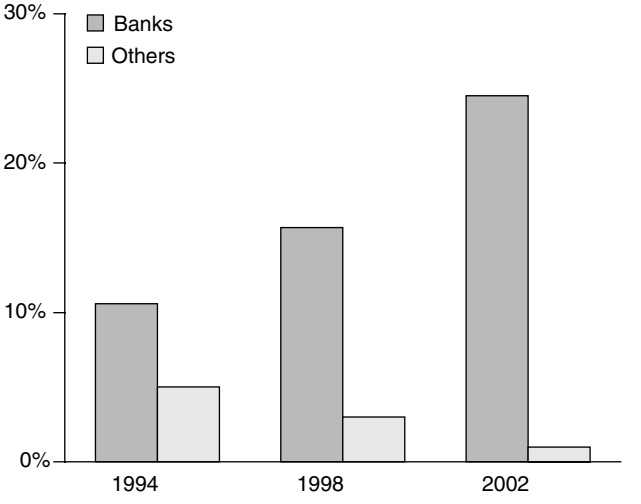
In point of fact, the Brazilian banking system is on life support from the government treasury. Brazil's total public debt at the end of 2003 had risen to a staggering 913 billion reais ($311 billion, at the exchange rate of the time), which is just under 60% of the country's GNP. This public debt pays "the highest real interest rates on the planet," in the words of

FIGURE 10
Brazil: Bank Loans Outstanding, by Sector
(Billions of Dollars)



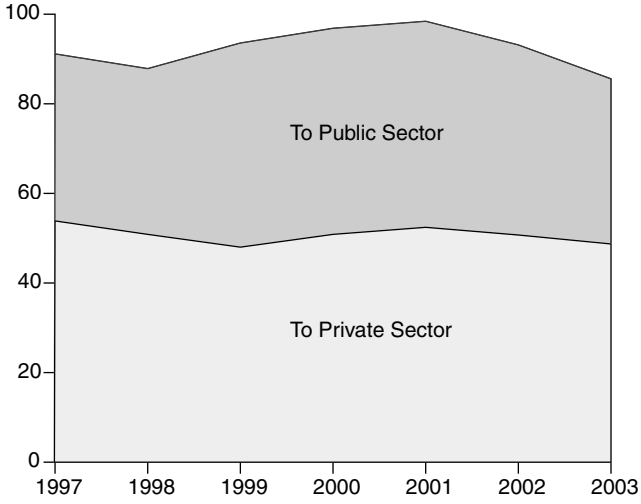
Source: Central Bank of Brazil.

FIGURE 11
Brazil: Business Profit Rates
(Percent)



Source: *Falha de São Paulo*, Brazil.

FIGURE 12
Mexico: Bank Loans Outstanding, by Sector
(Billions of Dollars)



Source: National Banking and Stock Market Commission, Mexico.

the Brazilian daily *Folha de São Paulo.* According to a Duke University study of Brazil's banks, "a traditional source of revenue had been gathering deposits from customers and investing in high-yield government bonds." And Smith Barney notes that "Brazilian banks have traditionally played an important role in financing the government by purchasing government securities . . . [and] Brazilian banks generated most of their profits from this activity"—25% in the case of Itaú, 29% for Bradesco, and 23% for Unibanco.

According to a revealing series of articles published by *Folha* over the course of the first half of 2003, Brazil's banks directly hold 39% of all government bonds. Six leading banks (Banco do Brasil, Bradesco, Itaú, Unibanco, ABN Amro, and Banespa Santander) own about half of that 39%. Another 33% of the total public bonded debt is held by investment funds, which in turn are principally administered by Brazil's major banks, who got an average 2% per year of the total assets administered, by way of additional profit.

As a result, profits for four leading banks (Bradesco, Itaú, Unibanco, and Banespa Santander) rose by 35% in the first quarter of 2003, compared to the same period a year earlier. More broadly, average profits for Brazil's banks rose from 10.6% in 1994, to 15.7% in 1998, to 24.5% in 2002. Compare this to the fate of non-banking corporations in the country, whose profit margin progressively fell from 5% in 1994, to 3% in 1998, to 1% in 2002 (see **Figure 11**). There is a direct relationship between these two opposite trends: In 1994, non-banking companies had to spend 3.5% of their revenues on financing (interest payments to the banks); in 1998, this had risen to 14.2% of revenues; and by 2002, they were siphoning off 35.1% of their revenues and handing it over to the banks.

In the cases of Chile and Mexico, the public bailout of (increasingly foreign) private banks took the form of direct government bailout operations after a banking crash. In Chile, for example, Smith Barney reports that, after 1982-83, the country's number-two bank, "Banco de Chile, like most major Chilean banks, sold certain non-performing loans to the Central Bank at *face value.* . . . In 1989, banks were permitted to repurchase the portfolio of non-performing loans . . . for a price equal to the *economic value* of such loans." [emphasis added]

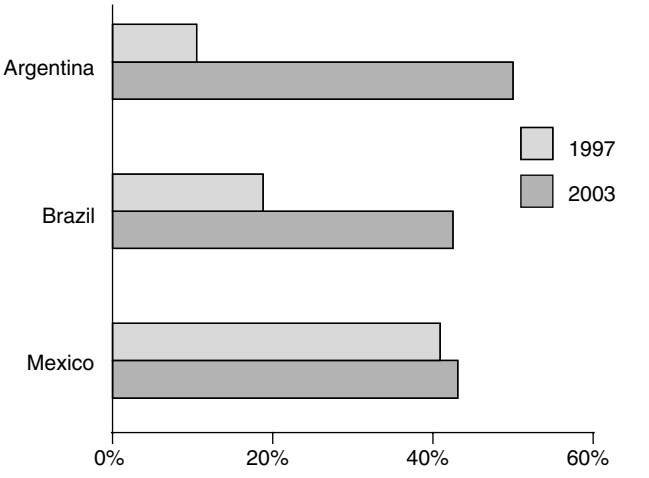
The case of Mexico's 1995 FOBAPROA bail-out is perhaps the most famous—and preposterous—of all, as exemplified by the Banorte case reported above. *EIR* has documented this rip-off extensively over the years, most recently in the May 21 issue ("No Recovery for Mexico, But 'Argentinization' ") which showed that holding FOBAPROA bonds is the principal profit-producing activity of every major Mexican bank. Without those bonds, each and every bank would be in the red.

In a word, Mexico's banking system has been dead in the water since the mid 1990s, as can be seen in **Figure 12.**

Figure 13 summarizes the dramatic shift into public sector lending—going on the government dole—in Argentina, Brazil and Mexico, between 1997 and 2003.

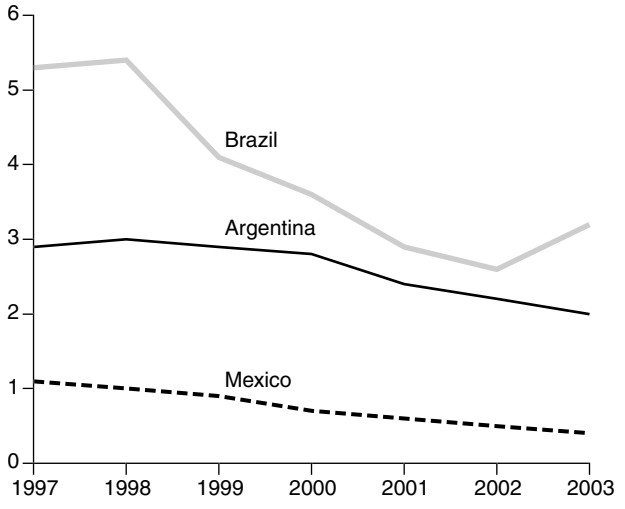
As has been stated, and is otherwise obvious, the shift into feeding at the public trough has meant a corresponding shift out of lending to the private sector, both corporate and consumer. When we further estimate the portion of that diminishing lending to the private sector, which comes from domesti-

FIGURE 13
Bank Loans Outstanding to Public Sector
(% of Yearly Total)



Sources: Central Bank of the Argentine Republic; Central Bank of Brazil; National Banking and Stock Market Commission, Mexico.

FIGURE 14
Domestically Controlled Bank Loans Outstanding to Private Sector
(Thousands of Dollars per Household)



Sources: Central Bank of the Argentine Republic; Central Bank of Brazil; National Banking and Stock Market Commission, Mexico; *EIR*.

cally-controlled banks—and consider this as the portion of banking activity which is potentially productive lending under sovereign control—we see the shocking results: *Sovereign national banking scarcely exists any more in Ibero-America.*

Figure 14 shows that, between 1997 and 2003, such lending dropped from $5,300 to $3,200 per household in Brazil (a 31% decline); from $2,900 to $2,000 in Argentina (down 39%); and most shocking of all, from $1,100 to a nearly non-existent $400 per household in Mexico (a 67% plunge). By the end of 2003, such potentially productive lending under sovereign control was 31% of total lending in Argentina, 45% in Brazil, and a mere 10% in Mexico (see **Figure 15**).

The New Spanish Empire

This dramatic redrawing of the banking landscape of Ibero-America over the 1997-2003 period had three principal protagonists: Spain's BSCH, Spain's BBVA, and the United States' Citibank. Behind them, however, stand older British and Venetian financial institutions—the guardians of the intended Synarchist world order.

Let's first look at the action on the ground, with aid of an abbreviated chronology. Of the three mentioned banks, it is the BSCH that has been a step ahead of the others: first in becoming a mega-bank through mergers and acquisitions on the home front, and then in expanding explosively in Ibero-America.

January 1999: Spain's Banco Santander and Banco Central Hispano merged, forming Banco Santander Central Hispano (BSCH), today the largest in Spain and sixth-largest in Europe. As of June 2002, its assets stood at $387 billion.

January 2000: Spain's Banco Bilbao Vizcaya and Banco Argentaria answered in kind, merging to form Banco Bilbao Vizcaya Argentaria (BBVA), Spain's second largest bank with $282 billion in assets as of June 2002.

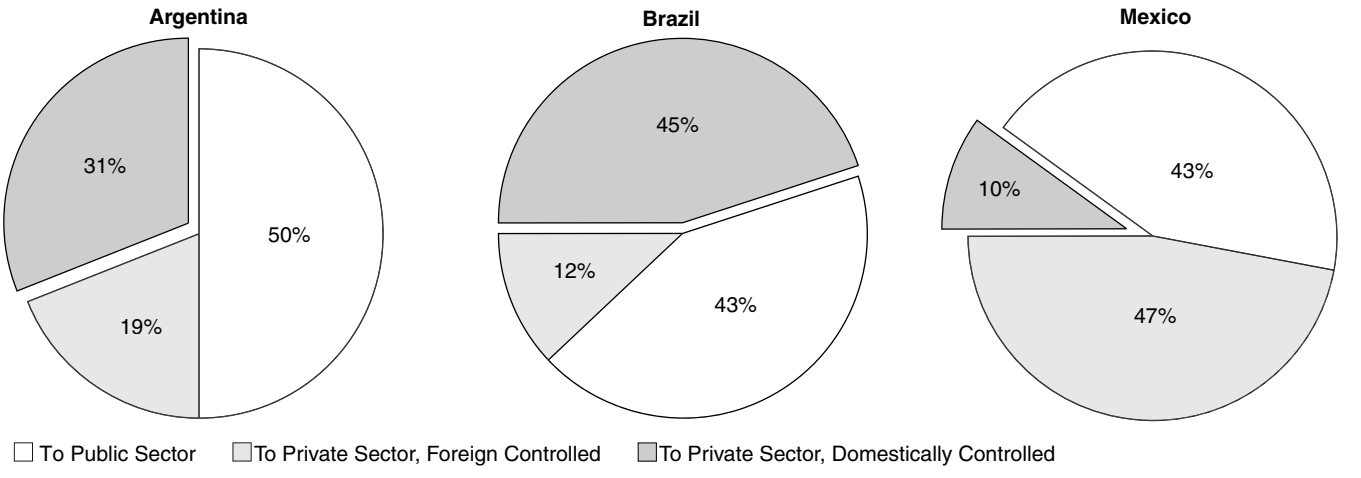
May 2000: BSCH launched a $40-plus billion move into Ibero-America, starting with the purchase of Mexico's Banca Serfín, which it subsequently merged with its existing subsidiary, Santander Mexicano, to form the $22 billion Santander Serfín, the third-largest in the country. The second half of the maneuver would come six months later, in Brazil.

June 2000: BBVA countered with its own $40-plus billion acquisition, snapping up 59% of Mexico's leading bank, Bancomer, with $43 billion in assets at the end of 2003. BBVA licked the plate clean in March 2004, purchasing the remaining 41% of Bancomer stock.

November 2000: BSCH won a heavily disputed international bid for Brazil's privatized Banespa, today the country's sixth-largest bank with $20 billion in assets. This gave BSCH a toe-hold in the coveted Brazilian market, which neither BBVA nor Citibank have been able to match. In fact BBVA chose to sell off its relatively small Brazilian subsidiary to the domestic bank Bradesco in January 2003.

May 2001: Citibank weighed in with its own nearly $40 billion move, purchasing 100% of Mexico's second largest bank, Banamex, with over $36 billion in assets at the end

FIGURE 15
Composition of Loans Outstanding per Household
(% of Total, 2003)



Source: Central Bank of the Argentine Republic; Central Bank of Brazil; National Banking and Stock Market Commission; *EIR*.

of 2003.

In less than a year and a half, these four mega-acquisitions had changed the banking landscape of the continent, dwarfing other significant moves such as Scotiabank's November 2000 purchase of Mexico's $9 billion Inverlat, Sudameris's progressive buyout of Peru's $3 billion Wiese, and HSBC's August 2002 takeover of Mexico's $15 billion Bital.

BSCH put the icing on its cake with the April 2002 acquisition of 35% of Chile's Santiago bank, and then merged it in August of that year with their existing holding, Banco Santander, to form the country's number-one bank today, with $27 billion in assets. And in Venezuela they similarly merged their two holdings in August 2002 to form Banco de Venezuela, the country's third-largest bank.

BBVA, likewise, followed its giant Bancomer operation with smaller moves, including the purchase of Chile's Bhif bank, the country's eighth-largest with $9 billion in assets.

When the smoke had cleared, BSCH, BBVA and Citibank were the number-one, -two, and -three foreign banks in Ibero-America, respectively. Together, they had more than doubled their combined assets between 1997 and 2003, amassing a staggering 24% of the total bank assets of the entire continent (see **Table 3**).

Today, BSCH gets half of its revenue and over a quarter of its total profits from its Ibero-American operations—as does BBVA. For both banks, their activities now include a dominant presence in the adminstration of privatized pension funds, which became a big business beginning in the mid-1990s and today amount to some $90 billion in assets in Ibero-America. In pensions, foreign companies have an even larger presence (52% of the total) than in the banking system. In this sector, BBVA is top dog, administering more than 25% of the total Ibero-American market. BSCH is in second place, followed by Citibank in third.

TABLE 3
Top 10 Foreign Banks in Ibero-America
(Billions of Dollars)

		1997 Assets	2003 Assets	Change 97-03	2003 % of Total Assets
1	BSCH	57	77	35%	9%
2	BBVA	26	66	153%	8%
3	Citibank	16	58	263%	7%
4	HSBC	46	31	–32%	4%
5	ABN Amro	na	28	na	3%
6	JP Morgan Chase	na	17	na	2%
7	Boston	10	16	63%	2%
8	Deutsche Bank	na	15	na	2%
9	Scotiabank	22	13	–42%	1%
10	Sudameris	na	3	na	0%
	Spanish banks	*83*	*143*	*72%*	*17%*
	Top 3 banks	*99*	*201*	*103%*	*24%*
	Top 10 banks	*na*	*324*	*na*	*38%*
	Total	**882**	**850**	**–4%**	**100%**

Sources: Argentina: Central Bank; Brazil: Central Bank; Chile: Superintendency of Banks and Financial Institutions; Colombia: Banking Superintendency; Mexico: National Banking and Stock Market Commission; Peru: Superintendency of Banks and Insurance; Venezuela: Superintendency of Banks and Other Financial Institutions; Salomon Smith Barney.

. . .And so was his great-grandfather. Emilio Botín-Sanz de Sautuola y García de los Ríos, President of the Banco Santander Central Hispano (BSCH) of Spain, is a fourth-generation banker, whose great-grandfather founded the original Banco de Santander in 1857.

And Its Controllers

In our first visit to the scene of the crime, back in August 1997, *EIR*'s feature included a section entitled "Meet the New Owners," which presented profiles of a number of British-dominated and/or drug-linked foreign banks, which remain important players in Ibero-America today: Banco Bilbao Vizcaya (BBV), Hongkong and Shanghai Banking Corp. (HSBC), Scotiabank, JP Morgan, and others (see *EIR,* Aug. 22, 1997). For the case of Citibank, we also refer readers to earlier *EIR* coverage for an in-depth picture of the controlling interests behind this institution, and its seedy activities—such as sponsoring and covering up the drug money laundering crimes of the convicted Raúl Salinas de Gortari in Mexico.[4]

Here we turn our attention, for the remainder of this study, to the revealing case of the Banco Santander Central Hispano (BSCH), as it best typifies the real nature of the foreign banking takeover of Ibero-America.

The Banco de Santander is an old-line financial institution, owned since its creation by the super-rich, and well-named, Botín family ("botín" is Spanish for "loot," or "booty.") Santander's current President, Emilio Botín-Sanz de Sautuola y García de los Ríos, is often listed as the wealthiest man in Spain. (In 1999, *Forbes* put his net worth at $3.4 billion.) He is the great grandson of the bank's founder, Emilio Botín y López, who established the bank in 1857 to meet the financial needs of the trade links between the northern Spanish port of Santander and Ibero-America.

4. See Richard Freeman, "Money-Laundering Scandal Could Rock Citibank, Fed," *EIR,* June 7, 1996; also John Hoefle and Scott Thompson, "Corrupt Fed Runs Economic Warfare To Prop Up Banks," *EIR,* July 30, 1993.

"And so was his grandfather"; from the Caprichos, *by Francisco Goya. "This poor animal has been driven mad by Genealogists and Heralds. He's not the only one."*

Like his father and grandfather before him, the current Emilio Botín takes pride in his bloodline, and intends to keep the bank in the family. His likely successor is rumored to be his daughter, the Harvard and JP Morgan-trained Ana Patricia Botín, who currently sits on the BSCH board and is president of Banesto bank, a BSCH subsidiary. Emilio's brother Jaime is also on the BSCH board.

Emilio runs the bank personally, like the patriarch that he is. At BSCH, according to a popular Madrid joke, there are only two kinds of employees: *Botines* and *botones* (Spanish for messenger boys).

Trained in Law and Economics at the Jesuit-run University of Deusto in Bilbao, the current Botín took over Santander from his father, Emilio Botín-Sanz de Sautuola y López, in 1986. Father and son were both committed, according to the Spanish daily *El Mundo,* to "the end of Santander bank's vocation as an industrial bank, and the beginning of its sole dedication to traditional financial business. . . . Botín has always been in favor of a model of pure banking." This approach guided the bnak's major mergers and acquisitions over the

years (Banesto in 1994, Banco Central Hispano in 1999), which brought BSCH to its current position as Spain's top bank, and one of Europe's leaders in speculative derivatives trading, in particular.

A year after assuming the presidency of Banco de Santander, in November 1987, Botín signed a strategic agreement with the Royal Bank of Scotland (RBS) to swap 10% of each others shares, and joined RBS's board. Sir George Mathewson, the President of RBS and President of the Association of British Bankers, likewise sits on the BSCH board today.

The Madrid correspondent for the London *Economist,* Adela Gooch, put this down to "the Botín family's penchant for the Anglo-Saxon way of doing business"; but more than Anglophilia is involved. RBS is one of the United Kingdom's oldest, leading financial institutions, which is at the heart of Synarchist banking layers internationally. As *EIR* explained in its 1997 study of foreign banking in Ibero-America, Rt. Hon. The Earl of Airlie is a prominent member of the RBS board of directors, and he is "the brother-in-law of Princess Alexandra, Queen Elizabeth's first cousin; a Privy Councillor, and is Lord Chamberlain of the Queen's Household—i.e., he heads up the innermost sanctum around the Queen. Until 1984, he was chairman of Schroeders PLC, the London merchant banking group which helped finance Hitler's rise to power in the 1930s."

Furthermore, the international private banking arm of RBS is Coutts & Co.—the private bankers to the Queen. BSCH's relationship with RSB is so cozy that in May 2003, according to the Santander web site, BSCH "reached an agreement with The Royal Bank of Scotland Group, under which [BSCH] acquired the private banking business in Ibero-America of its affiliate Coutts & Co." One of the law firms involved in the transaction put Coutts & Co.'s assets in Ibero-America at $2.6 billion.

In 1999, Botín's BSCH struck another strategic alliance with a second hard-core Synarchist financial institution: Assicurazioni Generali, the infamous and ultra-powerful Venetian insurance company. The 1992 edition of *EIR*'s best-seller *Dope, Inc.* describes Generali as follows: "Among modern financial institutions, the Assicurazioni Generali of Venice, the heir to the old Venetian fortunes, provides the most clues to the operations of the *fondi.* The 'Generali,' as an insurance organization, is a clearing house for the operations of numerous *fondi,* each one represented by its frontman, one of the principal European investment banks. Its board of directors consists of the principal banking fortunes of Western Europe. . . . Europe's two most powerful investment banks, Lazard Freres and the Banque Paribas, are the largest stockholders in the Assicurazioni through a variety of shells."

It is also well known that Generali played an instrumental role in bringing Mussolini to power in Italy.

BSCH's relationship to Generali is not unlike the one it has with RBS: they generally swap spit. Generali's President, Antoine Bernheim, sits on the BSCH board of directors, and the company owns 1.1% of BSCH's stock and 20% of the stock of Santander's insurance subsidiary. BSCH, in turn, owns 1.2% of Mediobanca, the main shareholder for Generali, and has a representative on the insurance company's General Council. In late 2003, Generali also acquired BSCH's 13.22% stake in Banco Vitalicio. According to a Sept. 23, 2003 Reuters wire, "both groups will maintain their global alliance, and are even studying broadening it to Latin America."

In 2001, then BSCH co-president José María Amusátegui was a member of Generali's General Council, along with former Governor of the Bank of Spain José Ramón Alvarez Rendueles; American drug lawyer and former ADL head Kenneth Bialkin; and Mexican vulture banker Roberto González Barrera of Banorte, among others. The extremely broad statutory function of the General Council, according to Generali's Annual Report 2001, is "providing high-quality advice in order to promote the most successful attainment of company objectives. . . [and it] has particular competence regarding issues arising from extension of the Company's geographical presence on international insurance markets and, more generally, international insurance and finance issues affecting the Company and Group interests."

Such is the nature, and the intent, of the Synarchist financial powers behind the Spanish banks' re-colonization of Ibero-America.

Record Derivatives Growth Ups System Risk

by Richard Freeman and John Hoefle

The Office of Comptroller of the Currency (OCC) of the U.S. Treasury Department disclosed in a report June 18 that U.S. commercial banks' derivatives holdings outstanding had leapt to $76.5 trillion by the end of first-quarter 2004, a level 24% greater than that of the first quarter of 2003. Never has the American banking system been so vulnerable to a systemic meltdown triggered by a chain-reaction derivatives failure. Also on June 18, a senior official of the Federal Reserve Bank of San Francisco warned of heightened "systemic risk concerns" due to stepped-up bank mega-mergers, by which a handful of giants have consolidated in their hands, a large amount of U.S. bank assets. Unsaid, but obvious: The same process has consolidated in the giant banks' hands an immense volume of highly leveraged derivatives.

In a world financial crisis characterized by hyperinflation in oil and commodity prices, rising interest rates, and so forth, any instability could puncture the world derivatives market, valued at $300-400 trillion. Since derivatives "bets" are electronic book-keeping entries, this instability would spread around the world at the speed of light. When such a destabilization hit in September 1998, with the LTCM hedge fund crisis, the system came within a hair's breadth of a global crash.

Not only have U.S. commercial bank derivatives holdings grown by 24% in the past year. Consider this comparison: In first-quarter of 1995, U.S. commercial banks held $17.5 trillion in derivatives; today, they hold $75.6 trillion, a 4.5-fold increase in less than a decade. Once upon a time, the American banking system extended loans to productive agriculture and industry. Now, it is a vast betting machine, gaming interest rates, stocks, currencies, etc. Of bank-held derivatives, 91% are Over-The-Counter (specially tailored to financial institutions, often having exotic and complex features, and not traded on standard exchanges).

The walking-dead JP Morgan Chase Bank (JPMC) dominates the U.S. derivatives market, having $39.6 trillion in derivatives outstanding in the first quarter, up from $36.8 trillion at the end of 2003. JPMC Bank alone has derivatives approaching four times the U.S. Gross Domestic Product of $11.5 trillion. Next come Bank of America and Citibank, with $14.9 trillion and $14.4 trillion in derivatives, respectively. The OCC reports that the top seven American derivatives banks hold 96% of the U.S. banking system's notional derivatives holdings. If these banks suffer serious impairment of their derivatives holdings, kiss the banking system goodbye.

Overall, according to OCC data, one can see the perilous inverted pyramid that characterizes U.S. banks' derivatives holdings: The banks hold $76.5 trillion in derivatives, against $7.8 trillion in bank assets, and $715 billion in bank equity. Bank equity equals—and covers—only 0.9% of derivatives holdings.

However, there are also derivatives held by U.S. investment banks and corporations not accounted for by the OCC. *EIR* estimates that total derivatives holdings held by all U.S. institutions exceed $85 trillion.

Derivatives are growing globally: The Bank for International Settlements (BIS), in its recent Quarterly Review, placed such holdings by financial institutions worldwide at $233.9 trillion, at the end of the first quarter of 2004. Of these, $197.2 trillion (84%) are Over-The-Counter, and the rest exchange-traded.

However, the BIS significantly understates the size of derivatives outstanding, through such techniques as "netting," to disguise the true dimension of the danger. *EIR* estimates that financial institutions of the world's leading nations hold between $300 and $350 trillion in derivatives outstanding.

San Fran Fed: 'Systemic Risk'

The scale of U.S. bank mega-mergers now taking place, makes it all more worrisome. Until this year, Citigroup was the only trillion-dollar-asset banking organization in the United States. Now there are two more: Bank of America, which merged with FleetBoston; and JP Morgan Chase, which will finalize its merger with Ohio-based Bank One in July. On June 18, Simon Kwan of the San Francisco Federal Reserve Bank asserted, in a highly unusual warning in the Bank's *Economic Letter,* "The ever-growing scale of bank mergers raises challenging policy questions, including banking concentration at the national level and systemic risk concerns." He wrote, "When banking activities are concentrated in a very few large banking companies, shocks to these individual companies could have repercussions to the financial system and the real economy."

The share of commercial banking assets held by the top ten U.S. commercial banks has risen from about 30% in 1995, to about 45% today. The U.S. is moving towards the dangerous British model, where six banks dominate the commercial banking system top-down. The even more concentrated derivatives, basically held by seven banks, could act as a detonator charge for explosion.

On June 17, the *Financial Times* of London quoted Bill Gross, head of Pimco, the largest bond-trading fund in the world: "Too much debt, geopolitical risk, and several bubbles have created a very unstable environment which can turn any minute. More than any point in the past 20 or 30 years, there's potential for a reversal."

Business Briefs

Healthcare

Premiums, Profits Far Above Costs in 2003

A front-page *Wall Street Journal* article on June 21 charted the rising profits of health insurers in 2003, a year in which the insurers' premiums rose by 10-16% across the board; profits of for-profit health insurers like Aetna and UnitedHealth Group, Inc. grew by 30%; and profits of the so-called "not-for-profit" Blue Cross/Blue Shield insurance plans rose by 115%!

"2003 was a banner year for the nation's health insurers, in which profits soared as the escalating price of premiums far outpaced more slowly growing medical costs," the *Journal* concluded. It described a state-by-state backlash by legislatures and regulators, particularly of the Blue Cross/Blue Shield plans, which it said had "moderated rate increases so far during 2004"; but the premiums are still rising at "several times the rate of inflation." Much of the increased profit has been put into insurers' reserve funds, which grew by about 33% in 2003, or into "investments"; to the point where state legislatures in Pennsylvania, North Carolina, and Rhode Island have passed resolutions demanding the reserves be reduced in order to give premium rate-increase relief.

Insurance firms, in general, have been rebuilding reserve funds since the 9/ll damages and wars, as well as making up for low bond interest rates, by increasing premiums.

Employment

New U.S. Jobs Pay Lower Wages

Benjamin Tal of CIBC World Markets, writing in that institution's newsletter on June 21, reports that "the average wage in sectors that gained jobs over the past three years was 30% lower than the average wage in industries that lost jobs." The actual situation may be considerably worse. Between July 2000 and February 2004, the U.S. manufacturing workforce contracted from 12.547 million workers to 9.958 million workers, a loss of 2.59 million jobs. Between the end of February and the end of May of this year, America has gained back a total of 168,000 manufacturing jobs. Thus, the United States still has endured a shortfall of nearly 2.5 million manufacturing jobs, which are not only vital for the functioning of the economy, but are well-paying.

Since January of 2004, more than three-quarters of the "new jobs" created by the Bush administration are in retail and services.

Brazil

Financiers Furious at Senate Wage Vote

The Brazilian Senate voted, by a whopping 44-31, to increase the increase in the minimum wage by almost double what the government proposed, despite personal lobbying by President Lula da Silva which featured promises to release funds for Senators' key projects, in return for their support.

The minimum wage was 240 reais—equal to a bit over $70 a month. About a third of the country's workers and state pensioners receive the minimum wage, and raising it has been a major plank of Lula's Workers Party (PT) since its founding. The government insisted, however, that it could only be raised to R$260 ($83), barely following inflation, because anything more would blow out fiscal austerity rules. On June 17, the Senate rebelled, and voted to raise it to R$275 a month, with 12 Senators from the government coalition parties defecting—among them three from Lula's Workers Party and two of the three from Vice President José Alencar's Liberal Party (PL). Others absented themselves.

Both the *Financial Times* and *Business Week* had warned in advance that financiers considered this a "make it or break it" vote for the government. Now, they are furious. The *Financial Times* wrote of a "humiliating defeat"; the BBC spoke of "a major political defeat." Wall Street's Bloomberg wire service cited financiers warning that "Lula's political gas is running out." "If Lula can only muster 31 of his 45 nominal allies in the Senate to vote for his minimum wage proposal, how can he hope to secure approval of the much more controversial and all-important labor reform?" moaned one Wall Street banker, who recommended disinvestment in Brazil.

Finance Minister Antonio Palocci responded that the government will not go higher than the R$260. The government will attempt to overturn the Senate decision next week. The Chamber of Deputies passed the miserly increase a few weeks ago—but that was on the promise that the Senate would back it, too. With municipal elections looming in October, various Deputies warn the government could be defeated this time in the Chamber, forcing Lula to chose between a veto and a new economic policy.

I.T.

Sector Still Busted; Computer Show Cancelled

The sponsors of the Las Vegas based Comdex computer trade show announced on June 23 that this year's event has been cancelled due to lack of interest on the part of major players in the Information Technology industry. The show, which had drawn as many as 200,000 attendeees during the boom years of the IT bubble, drew only 40,000 last year. The cancellation suggests that that this year's convention exhibition space bookings were even less than in 2003.

Manufacturing

Durable Goods Orders Fell Again in May

The U.S. Commerce Department announced on June 24 a second straight monthly drop, by 1.6% in May, of durable goods orders. The "unexpected" decline in May on orders for manufactured goods meant to last at least three years, was led by falling transportation-related orders. Combined with a 2.6% drop in April, they were the first back-to-back monthly declines since November-December 2002, exposing the factory sector's supposed recent "revival" peddled by the Cheney-Bush administration. The drop was not limited to autos and parts, but also saw falls in orders for computers and electronic products, machinery and fabricated metals.

Bush and Hitler: What The 'Torture Memos' Reveal

by Edward Spannaus

In the Spring of 1941, as Nazi Germany was preparing to invade the Soviet Union, Adolf Hitler issued an infamous edict which has become known as the "Commissar Order," to govern the conduct of German armed forces on the Eastern Front. This order provides a largely-unnoticed precedent for the "legal" rationalizations found in a number of hitherto-secret Bush Administration legal memoranda, which have recently come to light.

As is documented in William L. Shirer's *The Rise and Fall of the Third Reich,* Hitler outlined this policy during a meeting with the heads of the three armed services and key army field commanders early in March 1941: "The war against Russia will be such that it cannot be conducted in a knightly fashion. This struggle is one of ideologies and racial differences and will have to be conducted with unprecedented, unmerciful, and unrelenting harshness. All officers will have to rid themselves of obsolete ideologies. . . . German soldiers guilty of breaking international law will be excused. Russia has not participated in the Hague Convention and therefore has no rights under it."

On May 13, 1941, Field Marshal Wilhelm Keitel, the head of the Armed Forces High Command, issued an order in Hitler's name, severely limiting functions of the military courts martial system, and virtually giving immunity to German forces for war crimes against Russians: "With regard to *offenses* committed against *enemy civilians by members of the Wehrmacht, prosecution is not obligatory,* even where the deed is at the same time a military crime or offense." Yhe army was explicitly instructed to go easy on any such German offenders, "remembering in each case all the harm done to Germany since 1918 by the 'Bolsheviki.' "

Underlying such orders was the legal philosophy set forward by the "Crown Jurist of the Third Reich," Carl Schmitt, whose writings have unfortunately undergone a revival in the United States in recent years. Schmitt contended that, in times of emergency and crisis, the actions of the Leader were not subordinate to justice, but constituted the "highest justice." In passages which remind one of the legal defenses of "necessity" and "self-defense" posed by John Ashcroft's Justice Department (DOJ) today, Schmitt wrote: "All law is derived from the people's right to existence. Every state law, every judgment of the courts, contains only so much justice, as it derives from this source. The content and the scope of his action, is determined only by the Leader himself."

'A New Kind of War'

President George W. Bush's counsel, Alberto Gonzales, addressed a memorandum to the President on Jan. 25, 2002, about four months into the "war of terrorism." Gonzales noted that Bush had called the war against terrorism "a new kind of war," which "renders obsolete" and "quaint" some of the provisions of the Geneva Convention on the treatment of prisoners of war. And Gonzales warned the President that he and other officials stood in potential danger of being prosecuted for war crimes; he suggested steps that could be taken by Bush to set up "a solid defense to any future prosecution"—most importantly, to declare that the Geneva Convention did not apply to the war against Taliban and Al-Qaeda in Afghanistan.

Jan. 9, 2002: The alarm as to possible war crimes prosecutions was sounded by John Yoo, a Deputy Assistant Attorney General in the Justice DOJ's Office of Legal Counsel (OLC)—a traditional haunt of right-wing ideologues in times of Republican administrations.

The arguments for ignoring international law and letting "Presidential prerogative" set the law, which White House Counsel Alberto Gonzales (left) got from John Ashcroft's Justice Department, have a very dark history.

Yoo and Robert Delahunty pulled together the arguments for ignoring international treaties and laws, in a 42-page draft memorandum addressed to Department of Defense (DOD) General Counsel William Haynes, and entitled "Application of Treaties and Laws to al-Qaeda and Taliban Detainees." Yoo's memo really constituted a defense lawyer's brief against future war-crimes charges; its discussion of the War Crimes Act began on its first page. Much of its discussion centered on the Geneva Conventions, particularly the Third Convention concerning the treatment of prisoners of war (GPW); the Fourth, concerning the obligations of an occupying power; and on what is known as "Common Article 3." The latter is a provision common to all four Geneva Conventions; it prohibits not only torture and other acts of violence, but also, "Outrages upon personal dignity; in particular, humiliating and degrading treatment." This applies to *all* detainees, whether or not they are technically classified as prisoners of war under Geneva III. Yoo's memo warned the Pentagon that the War Crimes Act "criminalizes violations of what is known as 'common' Article 3. . . ."

Yoo endeavored to show why neither Taliban nor al-Qaeda should be covered by Geneva. One argument was that Afghanistan under the Taliban was a "failed state," and therefore its previous status as a signator to the Geneva Conventions no longer applied. His conclusion was that "neither the federal War Crimes Act nor the Geneva Conventions would apply to the detention conditions at Guantanamo Bay."

According to knowledgable sources, the Yoo draft went not only to DOD General Counsel Haynes, but also to White House Counsel Gonzales and Dick Cheney's General Counsel David Addington, all of whom approved it. But others, particularly the State Department and the Joint Chiefs of Staff (JCS), seriously disagreed.

Jan. 11, 2002 State Department legal advisor William H. Taft IV told Yoo that the DOJ's advice to the President was "seriously flawed . . . incorrect as well as incomplete"; that DOJ's arguments were "contrary to the official position of the United States, the United Nations, and all other states that have considered the issue"; and that Yoo's idea that the President could "suspend" U.S. obligations to the Geneva Convention was "legally flawed and procedurally impossible." Lawyers for the JCS also raised concerns about the Administration's decision to declare that Geneva protections were not available to captured Taliban militia members. JCS Chairman Gen. Richard Myers and the senior military leadership all believed that the Geneva Conventions should apply to the Taliban.

Jan. 22, 2002 The arguments of the Yoo memorandum were substantially incorporated into what appears to be a final version, now styled as a Memorandum for the Counsel to the President Alberto Gonzales, and for DOD General Counsel Haynes. This was signed by Jay Bybee, the Assistant Attorney General for OLC. Its conclusion was that "neither the federal War Crimes Act nor the Geneva Conventions would apply to the detention conditions of al-Qaeda prisoners," and that "the President has the plenary constitutional power to suspend our treaty obligations toward Afghanistan," either on the grounds that it was a failed state, or by determining "that members of the Taliban militia failed to qualify as POWs under the terms of the [Geneva] treaty."

Secretary of State Colin Powell then requested that the President reconsider his decision. Powell urged that the President determine that the GPW did apply, but that individual al-Qaeda fighters could be determined not to qualify for prisoner-of-war status—only after an individual hearing—which is a permissible procedure under the Convention.

Jan. 25, 2002: In response to Powell's protests, Gonzales wrote a "Memorandum for the President," cited above, in which he stated: "As you have said, the war against terrorism is a new kind of war. It is not the traditional clash between nations adhering to the laws of war that formed the backdrop for GPW. The nature of the new war places a high premium on other factors, such as the ability to quickly obtain information from captured terrorists and their sponsors in order to avoid further atrocities against American civilians. . . . In my judgment, this new paradigm renders obsolete Geneva's strict lim-

itations on questioning of enemy prisoners and renders quaint some of its provisions. . . ."

Gonzales said that another advantage of such a determination was that it: "Substantially reduces the threat of domestic criminal prosecution under the War Crimes Act (l8 U.S.C. 2441). . . . That statute, enacted in 1996, prohibits the commission of a 'war crime' by or against a U.S. person, including U.S. officials. 'War crime' for these purposes is defined to include any grave breach of GPW or any violation of common Article 3 thereof (such as 'outrages against personal dignity'). . . . Punishments for violations of Section 2441 include the death penalty. A determination that GPW does not apply would mean that Section 2441 would not apply to actions taken with respect to the Taliban."

Gonzales went on the explain to President Bush why his determination that GPW does not apply, would guard against a "misapplication" of Section 2441, and he noted that "it is difficult to predict the motives of prosecutors and independent counsels who may in the future decide to pursue unwarranted charges based on Section 2441." He tried to reassure Bush, "Your determination would create a reasonable basis in law that Section 2441 does not apply, which would provide a solid defense to any future prosecution."

January 26, 2002: It has been reported that Powell "hit the roof" when he read Gonzales' memorandum. Powell fired off a counter-memo to Gonzales and National Security Advisor Condi Rice the next day, warning of the immense damage this would cause to the United States—politically, diplomatically, morally, militarily, and legally. To declare that the Geneva Convention does not apply, Powell contended, "will reverse over a century of U.S. policy and practice in supporting the Geneva conventions, and undermine the protection of the law of war for our troops, both in this specific conflict and in general." Powell also listed other negative consequences, such as undermining support among allies, and that it could even provoke investigations and prosecutions of U.S. troops by foreign prosecutors.

Feb. 1, 2004: Attorney General John Ashcroft weighed in, with a letter to Bush arguing that the best course of action would be for the President to determine that GPW did not apply to Taliban detainees from Afghanistan because it was a failed state; Ashcroft argued that this was preferable to asserting that Taliban detainees did not deserve GPW protection because they were unlawful combatants: "If a determination is made that Afghanistan was a failed state, various legal risks of liability, litigation, and criminal prosecution are minimized." Ashcroft wrote, "a Presidential determination against treaty applicability would provide the highest assurance that no court would subsequently entertain charges that American military officers, intelligence officials, or law enforcement officials violated Geneva Convention rules relating to field conduct, detention conduct or interrogation of detainees."

Feb. 7, 2002: Bush sided with the DOJ, and signed a directive declaring that "the war against terrorism ushers in a new paradigm, one in which groups with broad, international reach commit horrific acts against innocent civilians. . . . This new paradigm . . . requires new thinking in the law of war, but thinking that should nevertheless be consistent with the principles of Geneva."

Bush's directive stated that "none of the provisions of Geneva apply to our conflict with Al-Qaeda. . ." He accepted Ashcroft's argument that the President has "the authority to suspend Geneva as between the United States and Afghanistan," but that he would not exercise that authority. He determined that Geneva "will apply to our present conflict with the Taliban," but that Taliban detainees do not qualify as prisoners of war, but are "unlawful combatants," ineligible for hearings to determine their status under the Geneva Conventions. (It has been reported that Joint Chiefs Chairman Myers and other military officials and lawyers did want the Taliban to be treated as prisoners of war under the GPW.)

Most astoundingly, Bush accepted the DOJ conclusion that "common Article 3 of Geneva does not apply to either al-Qaeda or Taliban detainees"—but then went on to state, in self-serving language, "The United States Armed Forces shall continue to treat detainees humanely and, to the extent appropriate and consistent with military necessity, in a manner consistent with the principles of Geneva." But, as later argued by the Justice Department, "military necessity" provides a massive exception and loophole, to the provisions of U.S. laws and international treaties.

'Moderate' Torture OK

Aug. 1, 2002 saw the most infamous of the "torture papers," DOJ/OLC chief Bybee's memorandum to Gonzales entitled: "Standards of Conduct for Interrogations, under the Convention Against Torture and the U.S. Anti-Torture Act (18 U.S. 2340-2340A)." This memorandum was reportedly drafted by the DOJ for the CIA, and sent directly to the White House without consultation with either the State Department, or the Joint Chiefs and Joint Staff legal experts. It is an extremely detailed, 50-page memorandum, giving the most lenient interpretation conceivable, of the anti-torture treaty and laws. The memo states at the outset:

> We conclude below that Section 2340A proscribes acts inflicting, and that are specifically intended to inflict, severe pain or suffering, whether mental or physical. Those acts must be of an extreme nature to rise to the level of torture within the meaning of Section 2340A and the Convention. We further conclude that certain acts may be cruel, inhuman, or degrading, but still not produce pain and suffering of the requisite intensity to fall within Section 2340A's proscription against torture.
>
> We conclude that for an act to constitute torture as defined in Section 2340, it must inflict pain that is

difficult to endure. Physical pain amounting to torture must be equivalent in intensity to the pain accompanying serious physical injury, such as organ failure, impairment of body function, or even death. For purely mental pain or suffering to amount to torture under Section 2340, it must result in significant psychological harm of significant duration, e.g., lasting for months or even years. . . .

In Part V, we discuss whether Section 2340A may be unconstitutional if applied to interrogations undertaken of enemy combatants pursuant to the President's Commander-in-Chief powers. We find that in the circumstances of the current war against al-Qaeda and its allies, prosecution under Setion 2340A may be barred because enforcement of the stature would represent an unconstitutional infringement of the President's authority to conduct war. In Part VI, we discuss defenses to an allegation that an interrogation method might violate the statute. We conclude that, under current circumstances, necessity or self-defense may justify interrogation methods that might violate Section 2340A."

When the White House officially released this memo (it already having been leaked), DOJ attorneys suddenly disavowed it, telling reporters that it would be "repudiated" and "replaced." But the official who signed it, Jay Bybee, is now a Federal appellate judge, sitting on the 9th Circuit Court of Appeals.

October-November 2002: In mid-October, commanders at Guantánamo asked for authority to use more coercive interrogation methods, on the grounds that the methods then being used had become less effective over time, and that interrogators were finding some prisoners using their training in resistance to interrogation. Some of the techniques for which approval was requested, included death threats against a detainee or his family, stress positions, inducing a fear of suffocation or drowning, and the use of dogs. Gen. James Hill, the head of the Southern Command, forwarded the requests to the JCS on Oct. 25, stating that he questioned the legality of some of the methods proposed. "I am particularly troubled by the use of implied or expressed threats of death of the detainee or his family," Hill wrote.

On Nov. 27, DOD General Counsel Haynes sent an "Action Memo" to Rumsfeld accompanying the requests from Guantánamo. Haynes stated that he had discussed this with Deputy Defense Secretary Paul Wolfowitz, Doug Feith (the Undersecretary of Defense for Policy), and JSC Chairman Myers.

Rumsfeld authorized some of the techniques in early December, including hooding, stripping of all clothing, sensory deprivation, and "Using detainees' individual phobias (such as fear of dogs) to induce stress."

Jan. 15, 2003: Rumsfeld rescinded his approval of the more severe techniques, and directed General Counsel Haynes to set up a DOD working group "to assess the legal, policy, and operational issues relating to the interrogation of detainees held by U.S. Armed Forces in the war on terrorism." The documents do not show what triggered Rumsfeld's January moves, but the *Washington Post* reported on June 24, that sometime in December, two Navy interrogators heard military intelligence personnel talking about using techniques which they considered "repulsive and potentially illegal." Their concerns were brought to DOD General Counsel Haynes by Navy General Counsel Alberto Mora. Haynes apparently ignored Mora's appeals until Mora threatened to put them in writing.

The Pentagon Working Group

Rumsfeld's directive to Haynes said that the Working Group "should consist of experts from your Office, the Office of the Undersecretary of Defense for Policy [Feith], the Military Departments, and the Joint Staff. He also directed Haynes "to report your assessments and recommendations to me within 15 days." The Working Group reportedly was wracked with bitter controversy, especially between the DOD civilian and uniformed lawyers. Senior Army, Air Force, and Marine lawyers wrote classified dissenting memos, as did the Navy's Mora, in opposition to the position taken by DOD civilians and the DOJ to allow tougher interrogation techniques to be used. The dissenters argued that the information obtained by the use of coercive techniques was not reliable, and that the tougher methods could endanger U.S. military personnel detained by other countries.

Part of a draft of the report, dated March 6, 2003, was recently leaked to the media, causing a firestorm of protest from experts in military law and international law. The full, just-declassified report, dated April 4, 2003, was released to the public by the DOD on June 22. It is clear from a reading of the Working Group Report that it incorporated the now-repudiated August 2002 DOJ Bybee memorandum, which had justified torture so long as it doesn't result in organ failure or death. Almost half of the 50-page Bybee memo was incorporated virtually *verbatim* into the Working Group Report. This included:

- a nine-page section analyzing the anti-torture statute;
- six pages arguing that the anti-torture statute would be unconsitutional if it infringed on the President's inherent authority as Commander-in-Chief to do whatever he wants in war-time; and arguing, in essence, that nothing that the President orders can be the subject of a criminal statute;
- seven pages setting forth legal defenses that could be raised in the event of a prosecution for torture or war crimes, emphasizing the Carl Schmitt-like defenses of "necessity," and "self-defense."

9/11 Commission Findings Affirm Key LaRouche Assessments

by Jeffrey Steinberg

On June 16-17, the National Commission on Terrorist Attacks Upon the United States, otherwise known as the Kean-Hamilton "9/11 Commission," held its final two days of public hearings, prior to releasing its final report some time late in July. As part of this 12th public hearing, the Commission released three additional staff reports, dealing with the history of al-Qaeda; the details of the 9/11 plot, largely as told by two plotters in U.S. custody, Khalid Sheikh Mohammed and Ramzi Binalshibh; and the U.S. government responses—including the role of Vice President Dick Cheney—as the hijackings and attacks were playing out on Sept. 11, 2001.

While the staff reports, the witness statements, and the hearing proceedings have still left many questions unanswered, and do not represent a conclusive finding, there are certain facts that have been made clear, that correspond precisely to Lyndon LaRouche's assessments of the roots of the 9/11 plot, from the time of his two hours of running commentaries on the Jack Stockwell radio show in Utah on the morning of Sept. 11, 2001, through to the present. It is not likely that these facts will change with new revelations.

On June 19, LaRouche commissioned the publication of a timeline, to put certain fundamentals of the case on the table now. Given that the 9/11 issue will be a major factor in the November Presidential elections, and that LaRouche has been the clearest voice on the issue of modern irregular warfare, from long before the attacks of Sept. 11, 2001, it is timely for this information to be put in circulation by *EIR* at this moment.

Highlights

Certain findings can be highlighted, to flesh out the timeline that immediately follows.

First, during the early months of the Bush Administration, there were numerous public warnings that the United States homeland was highly vulnerable to a sophisticated terrorist attack, and that such a catastrophic attack was virtually inevitable unless effective measures were taken. Two blue ribbon commissions, the Bremer Commission and the Hart-Rudman Commission, delivered detailed reports, itemizing America's deep vulnerability to mass-casualty terrorist attack, and made specific recommendations for emergency remedial action. The Hart-Rudman Commission called for the incoming Bush Administration to create a Department of Homeland Security immediately, to address threats to the American population, and to the country's vital infrastructure.

Second, Vice President Dick Cheney and the Bush Administration not only ignored the Hart-Rudman recommendations, and growing warnings from the FBI and the CIA of a looming al-Qaeda terrorist attack inside the U.S.A.; Cheney was also pivotal in the actual sabotage of any response to the growing threat level.

Third, prior to the attacks of 9/11, the evidence of a major terrorist destabilization was clear. On Aug. 24, 2001, Lyndon LaRouche issued a mass-circulation leaflet, warning of a major terrorist attack on Washington, D.C. during September 2001. When the 9/11 attacks occurred, LaRouche was being interviewed by radio host Jack Stockwell in Salt Lake City, Utah.

LaRouche's running commentary as the events of 9/11 were unfolding still stands the test of time. LaRouche stated that the sophisticated attacks of that morning could not have occurred without one of two contributing factors: Either there was high-level "covert black operations" involvement from contaminated elements inside the U.S. national security command, or the entire system of U.S. internal security, aimed at preventing such attacks, had been taken down, to such a degree that the system was, in effect, ripe for such an irregular warfare attack.

LaRouche told Stockwell's audience: "This is a very systematic operation. If they're snatching planes . . . if all three of these planes—the two we have from New York and this thing on the Pentagon—to get that kind of thing, to snatch planes like that, that's a pretty sophisticated operation. The question is, where were the relevant intelligence agencies which are in charge of monitoring this problem? Now, I've been putting this out for some time—not this, I didn't know this airplane thing, but I assumed almost anything could happen . . . but on the Washington, D.C. targetting. So obviously, the Pentagon means that this is obviously, clearly a Washington, D.C. targetting. This is obviously intended to imply

something coming out of the Middle East. This means that there's been some kind of either incompetence or fix on the whole security operation, because you *can't* get this kind of thing without a real goof-up, on the security side. So somebody in charge of security was really not very effectively in charge."

Subsequent reports by the 9/11 Commission document other statements that further corroborated LaRouche's warnings of a major attack inside the U.S.A. During the Spring and early Summer of 2001, both the CIA and the FBI had repeatedly informed President Bush and Vice President Cheney of evidence that a major terrorist attack inside the continental U.S.A. was being planned. This led, ultimately, to an Aug. 6, 2001 President's Daily Briefing lead item, summarizing the evidence of an imminent threat of attack by Osama bin Laden's al-Qaeda organization, an organization that LaRouche had already identified as a controlled entity, an outgrowth of Zbigniew Brzezinski's, Bernard Lewis's, and George H.W. Bush's 1980s Afghanistan mujahideen project, which was intended to drive the Soviet Army out of Afghanistan through the buildup of a U.S., British, French, and Israeli-sponsored "Jihad" operation, partly financed by the proceeds of the Golden Crescent opium and heroin trade, run through Pakistani intelligence cut-outs, working under Anglo-American supervision.

According to the testimony of former National Security Council counter-terrorism czar Richard Clarke, despite all of these warnings, Vice President Cheney and Attorney General John Ashcroft, in particular, sabotaged every effort by senior national security personnel to take the necessary measures to prevent the attack.

Timeline of Key Events

The following timeline is based on LaRouche in 2004 campaign and *EIR* research, as well as the staff findings and public hearing transcripts and written testimony before the 9/11 Commission, and other official sources.

June 7, 2000: The National Commission on Terrorism, chaired by Ambassador L. Paul Bremer III (now viceroy in Iraq), issued its final report, warning that the United States homeland is vulnerable to a major terrorist attack. The report outlined measures to be taken to deal with the vulnerability.

Jan. 31, 2001: Just weeks after President Bush took office, the Hart-Rudman Commission report, "Road Map for National Security: Imperative for Change," was delivered personally to the President. The report makes several recommendations, including the immediate creation of a National Homeland Security Agency, with a Cabinet-level director, to consolidate and upgrade the preparedness for a major attack on the American homeland, which, the Commission insisted, was inevitable, given the threats to the United States, and the level of vulnerability.

April 2001: The Hart-Rudman Report had been delivered to every member of the U.S. Congress, and bipartisan legislation to create such a National Homeland Security Agency is introduced.

May 5, 2001: In an April 2, 2004 article in *Salon* magazine, former Sen. Gary Hart (D-Colo.), co-chair of the Commission, described what happened next: "Then as Congress started to move on this, and the heat was turned up, George Bush—and this is often overlooked—held a press conference or made a public statement on May 5, 2001, calling on Congress *not* to act and saying he was turning over the whole matter to Dick Cheney. So this wasn't just neglect. It was an active position by the Administration. He said, 'I don't want Congress to do anything until the Vice President advises me.' We now know from Dick Clarke that Cheney never held a meeting on terrorism, there was never any kind of discussion on the Department of Homeland Security that we had proposed. There was no Vice Presidential action on this matter."

Aug. 6, 2001: A leading item in President Bush's President's Daily Briefing (PDB), titled "Bin Laden Determined to Strike in U.S.," summarized evidence, accumulated over the previous several months, of an imminent al-Qaeda terrorist attack inside the United States. The report cited over 70 ongoing FBI investigations into possible al-Qaeda operations, including reports of surveillance of the Federal Building in lower Manhattan. Later news coverage revealed that the CIA and FBI put the report together, out of concern that the Bush Administration was ignoring warnings of a terrorist attack. At the time he received the PDB, citing the al-Qaeda attack warnings, President Bush was beginning a month-long vacation at his Texas ranch.

In his book-length account of his years as a top National Security Council counter-terrorism official, Richard Clarke reported on his own experience with Bush-Cheney Administration disinterest in dealing with the terrorist threats. In April 2004 testimony before the 9/11 Commission, Clarke further identified Cheney and Attorney General Ashcroft as two of the leading obstructionists.

Aug. 24, 2001: Lyndon LaRouche issued a campaign statement, "Jacobin Terror Aims at D.C.," forecasting major terrorist attacks on the nation's capital in September, to coincide with planned "anti-globalization" demonstrations at the annual International Monetary Fund-World Bank meeting. Over a million copies of the statement were in circulation around the United States by Sept. 11.

Sept. 11, 2001: Hijacked planes crashed into the World Trade Center towers and the Pentagon. A fourth hijacked plane crashes in western Pennsylvania.

LaRouche appeared, live, on the Jack Stockwell radio show in Salt Lake City, Utah, between 9:00-11:00 a.m. (EDT), as the events were unfolding. He warned that the Administration would rush to blame the attacks on Osama bin Laden, called on President Bush to remain calm, and seek the assistance of Russia's President Putin and other world leaders, rather than rushing into frantic unilateral action.

Desperate Neo-Cons Launch Third 'Committee on the Present Danger'

by Michele Steinberg

It could have been called "The Committee To Blow Up the World." On June 16, for the third time since World War II, the proponents of preventive war launched a massive propaganda campaign using the moniker "The Committee on the Present Danger." The CPD's rebirth took place at a gathering of 80-100 of Washington's leading neo-cons to discuss "Iraq and the War Against Terrorism." The midwife was Clifford May, the president of the Foundation for the Defense of Democracies (FDD), which sponsored the event; the leading ideologue was William Kristol, editor of the *Weekly Standard;* and the arrival was proudly announced by Democratic Sen. Joe Lieberman (Conn.), who said that the CPD's creation "for the third time," was necessary because "today, in America, support for the [Iraq] war is in jeopardy" (see *EIR,* June 25). The piggybank for the event, at least in part, was Australian-British media mogul Rupert Murdoch, who owns the publications, and FOX-TV networks, by which most of the speakers are paid.

There was only one real reason for the gathering: Bush and Cheney are in increasing trouble, and "Super Watergate" is in the air. It was an attempted regroupment by the angry neo-cons, who were trying to recoup their losses after the Administration turned against their chosen Iraqi leader, Ahmed Chalabi, and who were furious that the Administration had returned to the United Nations for a resolution.

Speakers had a stark message: war, war, more war; and kill, kill, kill more Muslims. And despite overwhelming evidence that this kind of "counter-terrorist" policy is *increasing* the danger to the United States and to global stability, this gathering said that Dick Cheney's doctrine of preventive war is not being applied hard enough. Throughout the day-long event, one heard a *spiel* for imperial policy, and a chilling threat: If the Cheney policy is abandoned, there will be another 9/11—this time much worse.

Perversely, these neo-cons believe that another 9/11 attack will help their cause. Perhaps the biggest "present danger" they fear is that their forces—especially Vice President Cheney—will be ousted from power. Kristol and May complained that the Administration—under pressure of the 2004 election campaign—was backing off in Iraq, trying to substitute "stability" for victory. May claimed that the word is out in the Bush-Cheney campaign to keep Iraq "quiet" through Nov. 4. They blamed this policy shift on unnamed advisors, and CIA leaks.

But Ralph Peters, the retired lieutenant colonel turned action novelist, who works for Murdoch's *New York Post,* blamed it on Bush himself. The President, said Peters, acted "foolishly and unforgivably" in Fallujah, by turning the city over to an Iraqi general. Peters branded this "the most serious American retreat since Saigon."

CPD and the Children of Satan

The *anti*-American System faction of the U.S. establishment has used the "Committee on the Present Danger" name for the last 54 years, to push utopianism. In 1950, a group of "eminent" establishment foreign policy experts created CPD-I, whose target was China, Russia, and "communism." It was supposedly an independent "citizens group," working to alert the nation to the "present danger" of the communist threat, especially after the June 24, 1950 North Korean move south across the 38th parallel. But the records of the Truman Presidency show that the CPD was part of the files of Truman's top secret Psychological Strategy Board (PSB), established by a Presidential Directive on April 4, 1951 to coordinate psychological warfare efforts.

For three months in 1951, the CPD launched an anti-communist scare campaign on the NBC network, every Sunday night, promoting increased defense spending and a "rollback" of communism.

But was the CPD really "private"? At exactly the same time, the PSB was running the Congress of Cultural Freedom (CCF), the CIA-funded anti-communist group (see *EIR,* June 25). In some ways, the CPD was the "military" parallel to the CCF.

In 1976, the founders (largely Democrats) of CPD-II, set out to stop arms negotiations with the Soviet Union; they wanted the option of nuclear strikes. When their candidate, Sen. Henry "Scoop" Jackson (D-Wash.), lost badly to Jimmy Carter in his bid for the Presidential nomination, the CPD moved into the Republican Party. It was exactly these CPD policies, upheld by then-Defense Secretary James R. Schlesinger and the "Scoop" Jackson Democrats, that Lyndon LaRouche attacked in his first national TV broadcast, in his 1976 Presidential campaign.

The history of the CPD is actually three generations of what LaRouche identifies as the "Children of Satan." In a

series of three pamphlets issued by his 2004 Democratic Presidential primary campaign, called "Children of Satan I: The Ignoble Liars Behind Bush's No-Exit War," "Children of Satan II: The Beastmen," and "Children of Satan III: The *Sexual* Congress for Cultural Fascism," LaRouche exposed the networks behind perpetual war and "empire." The impact of these mass-circulated reports cannot be underestimated; according to the neo-cons themselves, LaRouche is behind the "troubles" befalling them and Cheney.

The 'No-Exit' War

The CPD-III inaugural featured Washington's leading neo-cons: Kristol, Stephen Hayes, Michael Rubin, Clifford May, Ambassor Mark Ginsberg, Christopher Hitchens—the lot of them drawn from the "chicken-hawk" stables at the *Weekly Standard, New York Post,* Fox News, American Enterprise Institute, *National Review Online,* and the Foundation for the Defense of Democracies. Rubin had worked in Iraq for the occupation government at the Coalition Provisional Authority, but had quit in disgust. The only leading Pentagon neo-con in sight was Harold Rhode, who reportedly had the special job of "handling" Ahmed Chalabi, the Iraqi National Congress leader accused of fabricating intelligence to steer the United States into war with Iraq, and who is now under investigation on the charge of passing U.S. defense secrets to Iran.

The central theme of the conference was that the Bush Administration *must* insist on the link between Saddam Hussein and al-Qaeda, and use the 9/11 attack to extend the military war on terrorism to *every* "rogue state."

It is useful to note that nearly all the current "information" on the links between al-Qaeda and Saddam Hussein comes from one single source, desk jockey Stephen Hayes, who gave the first conference speech on June 16, on the "connections" between Saddam Hussein and al-Qaeda. Hayes became a celebrity and instant expert on al-Qaeda in Fall 2003, when he was leaked a classified document written for the Senate by Undersecretary of Defense for Policy Douglas Feith, on the al-Qaeda/Saddam Hussein "connection," and printed it in the *Weekly Standard.* The Defense Department issued "an advisory" disavowing the reliability of the information in Feith's report; but Hayes continues to repeat it as gospel, even publishing it in a new book called *The Connection.*

Truth is not an issue for the neo-cons' propaganda efforts. As long as they can get a report into print, it can be used by Administration officials to "make their case." Twice, Hayes has played that role for Dick Cheney. In November 2003, Cheney cited the Hayes article as "proof" of why the Iraq War was necessary to stop terrorism! It happened again, immediately after Hayes' June 16 speech, when the staff report of the independent commission investigating the Sept. 11 attacks said that there were no connections between Saddam Hussein and 9/11, driving Cheney into a ballistic fit.

Hayes had asserted that there *is* a connection: "Ahmed Hikmat Shakir . . . appeared on the rolls of officers of the Saddam Fedayem," and "Shakir, whose schedule was determined by a contact in the Iraqi Embassy in Kuala Lumpur, escorted Sept. 11 hijacker Khalik al Midhar" to a meeting in January 2000 where "the planning took place" for the Sept. 11 attacks. It was already established by government investigations that the two Shakirs in question are *completely* different people, with different names. When 9/11 commission member John Lehman tried to defend Cheney and attack his own staff by using Hayes' "Shakir" story, the White House itself said the Shakir link was "mistaken," a confusion over names.

Hayes lied by omission about Shakir, but he still wants them all dead—whoever they are. Referring to alleged al-Qaeda member Abu Musab al-Zarqawi, Hayes said, "Don't indict Zarqawi, kill him."

Peace fares even worse than truth in the neo-cons' onslaught. Thomas McInerney, one of the only two retired military officers among the sea of "chicken-hawks" (warmongers who have never donned a uniform), says that the United States must to go to war immediately with five more countries. "Nation-states are responsible for terrorists," he railed, naming Afghanistan, Iraq, Iran, Syria, Libya, North Korea, Saudi Arabia, and Pakistan. Three of them are now neutralized—Iraq, Afghanistan, and Libya—but the rest must be subdued, because "the next one is going to make 9/11 look like nothing. . . . We lost 3,000 in two hours. . . . What happens if 10 nuclear weapons go off in 10 American cities? Then it is too late."

Nor do the neo-cons care about the sovereignty of Iraq. Ralph Peters began his talk by calling Iraq "a monster of a nation" which was cobbled together "by European imperialists." "Kurdistan" is the country "that the U.S. *wants* in the Middle East." Because of the Bush Administration's compromises in Iraq, he said, "Fallujah is a terrorist city-state," where the next 9/11s are being prepared. The only way to reverse the mistake is to attack Fallujah again and destroy the Mehdi Army of Shi'a firebrand Moqdatar al-Sadr.

Peters expressed a hatred of the Iraq people, saying they have to "stop whining" like the "infants Saddam Hussein turned them into. . . . I don't see that they're willing" to fight terrorism, and if that is the case, the U.S. should *leave* and build up Kurdistan. Iraq? Where is it? I see Kurdistan. I see the Shi'a south," and a "cancerous" Sunni center. "But Iraq, I only see that on paper."

Hitchens, the latest neo-con convert, attacked any commitment to "preserve the Iraq state." Iraq's borders were drawn by imperialists at the beginning of the last century. "What is more colonial?" to redraw the borders or "to allow them to be un-redrawn?"

The conference was the pure propaganda of a Nazi rally, with no reports on torture of Iraqi prisoners by the U.S. occupation, or other messy issues. All Iraq failures were blamed either on the CIA or partisan "plots" by the Congress. These neo-cons would bring the United States to a new global, nuclear war—started by the United States itself. Their statements speak for themselves.

Top GOP and Dems Agree, Time To Dump Cheney

by Jeffrey Steinberg

The most powerful figure in the Bush Administration has been turned, by Lyndon LaRouche's two-year campaign, into its biggest political liability. Republicans are beginning to call publicly for Cheney's removal from the ticket.

On June 21, James P. Gannon, editor of the *Des Moines Register* and a leading Midwest mainstream Republican fundraiser and activist, penned an open letter to Vice President Dick Cheney, published in *USA Today* and many other newspapers around the country, which sent shockwaves through Republican Party circles. Gannon bluntly called on Cheney to remove himself from the November Republican ticket: "Nobody knows better than you do that you have become a lightning rod for criticism, and a favorite target for your party's political opponents. Fair or not, it is simply too easy to paint Dick Cheney as a tool of the oil industry, a too-eager advocate of war in Iraq and a too-gullible supporter of the now-disgraced Ahmad Chalabi, who fed the Bush Administration false intelligence on Iraq. Your former company, Halliburton, is a political albatross around your neck, weighing down not only you but also President Bush."

Gannon added, "Moreover, given your history of health problems, you do not offer the Republicans what they need for 2008 and beyond—a President in training. After November, the party will need to think beyond the Presidency of Bush, even if he is re-elected. Inaugurating a Vice President next January who could step up to lead the party in 2008 would be a great asset for the GOP."

Gannon was described by one source as "the voice" of the Midwest GOP. His blunt call for Cheney's removal from the ticket came amidst many behind-the-scenes moves by Eastern Seaboard Republicans. And one well-placed U.S. intelligence community source reported that when President Bush recently asked Secretary of State Colin Powell to stay on for a second term, the popular Cabinet official said he would consider staying on one condition: Dump Cheney from the ticket and cashier out all of the leading neo-conservatives from the Administration.

Rove Getting into the Act?

Another source close to the Bush White House revealed that Karl Rove is rapidly stepping to the forefront of those Republicans demanding Cheney's ouster. Rove—the consumate campaign tactician—is reportedly becoming more and more alarmed over secret GOP poll results showing that Cheney is a growing liability to the re-election cause. He may be encouraging the moves to dump Cheney, according to several reports.

The GOP moves have been paralleled by a growing chorus of Congressional Democrats, who have zeroed in on a string of possibly criminal acts by Cheney, including his continuing lying efforts to justify the Iraq war by ever-more fantasmic claims of "proof" that Saddam Hussein had ties to al-Qaeda and the attacks of Sept. 11, 2001.

After the 9/11 Commission issued a report in mid-June, concluding that there was no evidence of Iraqi links to al-Qaeda and the 9/11 attacks, Cheney went on CNBC-TV on June 17, to claim that he "probably" knew of evidence of ties not known to the Commission. This caused an angry reaction from the Commission members, who have been committed, so far, to maintaining a nonpartisan atmosphere. The *New York Times* reported on June 19 that Commission co-chairmen Tom Kean and Lee Hamilton had issued a demand that Cheney turn over what he knows. Kean, former Republican Governor of New Jersey and a Cabinet member for the first President Bush, told the *Times* that he would be "very disappointed" if the White House did not share everything it knew about the 9/11 case. The *Times* editorialized the same day, "Show us the proof," Mr. Cheney.

Cheney's recently exposed role in the awarding of billions of dollars in no-bid contracts to Halliburton on the eve of the Iraq invasion is another hot issue. On June 17, Sen. Frank Lautenberg (D-NJ) sent a letter to Attorney General John Ashcroft, demanding that he appoint an independent counsel to probe the Cheney-Halliburton corruption. Virtually accusing Cheney of lying to Congress and the American people, Lautenberg wrote, "The Vice President and his spokesperson have repeatedly said neither Mr. Cheney nor his staff had any knowledge of or involvement in the award of the no-bid contract to Halliburton. This new evidence contradicts those statements. This matter involves $2.5 billion in taxpayer funds, and the Attorney General must move swiftly to get an investigation started."

Cheney is also under Federal grand jury scrutiny, SEC

investigation, and a probe by French magistrates over hundreds of millions of dollars in bribes paid to Nigerian government officials, to secure exclusive oil and gas contracts, while the Vice President was Halliburton CEO. A separate Chicago grand jury is also probing a Halliburton offshore subsidiary which did millions of dollars of business with Iran, in possible violation of U.S. embargo laws.

Mid-Summer Nightmare

But Cheney's biggest legal hurdle this summer may involve the ongoing independent counsel probe into the White House leaking of the identity of CIA covert officer Valerie Plame, the wife of Ambassador Joseph Wilson. Sources have told *EIR* that the Federal grand jury has recently heard evidence from a top staffer in the Vice President's Office, implicating VP chief of staff Lewis Libby, and possibly Cheney himself, in the crime.

A midsummer forced resignation of Cheney, in the wake of grand jury indictments, is Karl Rove's worst nightmare. This is one reason why some seasoned Washington political insiders believe that July is going to be the month that Cheney takes a powder.

EIR's Record in Exposing Dick Cheney's Halliburton

Here is a list of some of EIR*'s articles exposing Dick Cheney's Halliburton as one of the top looters during the Iraq War.*

When Cheney was George H.W. Bush's Defense Secretary during the Gulf War, his machinations around a "revolution in military affairs" set the stage for the kind of looting operation he then put in place, during his 1995-2000 tenure as Halliburton's chief executive officer. This list covers only the last two years, because it is the most exhaustive of EIR*'s coverage, and some special features of individual articles are noted.*

For readers, curious to understand, "How did they know where to look?" we strongly recommend the transcript of LaRouche's speech, "On the California Energy Crisis: As Seen and Said by the Salton Sea," published in our Feb. 16, 2001 issue, which was also issued as a strategic policy paper by the Presidential campaign committee LaRouche in 2004.

2003

March 21: "Cheney and Perle To Go Down Like Ollie North?"

April 4: LaRouche statement: "War, Hitler, Cheney."

May 30: "Halliburton Looter: Shouldn't Dick Cheney Be Impeached?"

June 20: "LaRouche Demands Iraq Answers from Vice President Cheney."

July 4: "LaRouche Targets DLC: 'Protection Racket for Cheney'." (This article noted that honest Republicans were becoming disgusted with Cheney, including former National Security Advisor Gen. Brent Scowcroft [ret.] and former Nixon White House Council John Dean.)

July 18: "Cheney Can Be Removed From Office Right Now!" (A LaRouche statement.)

Aug. 1: "Dick Cheney Has Long Planned To Loot Iraqi Oil." (The article included the map of Iraqi oil deposits that Cheney's 2001 Energy Task Force had drawn up, dividing the spoils. The issue's *Feature* itself was "The Case for Impeachment of Vice President Dick Cheney")

Sept. 5: "Cheney's Energy Pirates Behind Schwarzenegger Recall Hoax."

Sept. 12: "Cheney's Carpetbaggers: Looking for Loot at the End of the Tunnel."

Sept. 12: "LaRouche Defends Zayed Centre."

Sept. 26: "Halliburton Is Houston's 'Greater Hermann Göring Werke.' " (A major exposé. Did you know, that from 1995-2000, when Cheney was CEO of Halliburton, $1 out of every $7 the Pentagon spent, went through Halliburton or its subsidiaries, such as Kellogg Brown & Root?)

Sept. 26: "Make California 'Recall' Fight Cheney's Waterloo." (The transcript of LaRouche's Sept. 11 webcast in Burbank, California, where he went to launch the fight against the campaign to recall Gov. Gray Davis—a recall run by Halliburton's fellow energy pirates, Enron, Dynegy, etc.)

Sept. 26: "Cheney's Sept. 14 Big Lies Backfire."

Oct. 10: "LaRouche-Led Assault on Cheney Is Drawing Blood."

Dec. 26: "Cheney's Halliburton Becomes 'Enron' of War Profiteers."

2004

Feb. 6: "Cheney's Crimes: Case for Impeachment Builds Momentum." (This was the lead article in the issue's cover story.)

"Investigations of Cheney's Crimes Are Multiplying."

"Government 'The Way Dick Likes It.' " (A review of Ron Suskind's book in collaboration with former Treasury Secretary Paul O'Neill, *The Price Of Loyalty: George W. Bush, the White House, and the Education of Paul O'Neill.*)

Feb. 27: "Cheney Targetted in Halliburton and War-Profiteering Scandals." (Congress, including Sen. Frank Lautenberg, sets the checks and balances into motion.)

April 23: "LaRouche It's Time To Get Out of Iraq."

April 30: "Southwest Asia: The LaRouche Doctrine."

June 11: "LaRouche: Bankrupt Speculators with $25 per Barrel Oil."

"Oil Geopolitics Central to Cheney Task Force." (These two articles are part of the issue's cover story.)

June 18: "Bush-Cheney Presidency: Worse Than Watergate." (A book review of John Dean's *Worse Than Watergate: The Secret Presidency of George W. Bush.*)

It's Not Possible to Implement President Bush's Moon/Mars Program

by Marsha Freeman

When President Bush announced on Jan. 14 his new initiative to return Americans to the Moon and then go on to Mars, it was hailed by many as the first time since President John F. Kennedy's 1960s Apollo program that the nation had a definite space exploration goal. But taking a close look at the way the President was approaching accomplishing the goal, revealed that without serious changes, it would be doomed to fail.

While few argued with the "vision," many scientists have been concerned that this new emphasis on human exploration, without substantial funding increases, would put pressure on NASA to save money by cutting back space science programs. Aerospace workers and Congressional representatives expressed the fear that the proposal to end the Space Shuttle program, before there is a vehicle to replace it, and disengage prematurely from the International Space Station, could make it appear that the space agency now had "too many" talented and experienced scientists and engineers, leading to job losses.

On June 16, the Commission appointed by the President to advise the White House on how to implement the Moon/Mars policy, released its 60-page report. Some of the space scientists' worst fears are now borne out in the Commission's recommendations to the President.

'Transformation' and Privatization

The Commission begins with the lofty goals of implementing the President's program so as to "inspire the nation's youth, yield scientific breakthroughs, create high technology jobs, improve our industrial competitiveness, demonstrate America's leadership, and improve prosperity and the quality of life for all Americans." To do this, the report states, will require that NASA be "decisively transformed, " requiring "significant cultural and organizational changes." This must not be the NASA of the Apollo era, they warn.

The use of the term "transformation" is not accidental. Pete Aldridge, Commission chair, until recently was active in carrying out the Pentagon's "military transformation" policy, as Under Secretary for Acquisition, Technology, and Logistics: an outsourced, information-age military.

"Root-and-branch change must be fully internalized throughout NASA," the Commission insists. In order to implement the new policy within the established budget guidelines, the Commission says the most important change NASA must make is in its relations with the private sector. NASA should rely on industry for orbital launch capabilities, and all other hardware and data that industry can provide. The assumption here is that it will be cheaper to do so. "NASA's role must be limited to only those areas where there is irrefutable demonstration that only government can perform the proposed activity."

In fact, NASA's research and development capabilities have pushed forward the state-of-the-art in hundreds of technology applications, both in the space program and in the overall economy. The Commission has it backwards: Only where industry technology is superior to that of NASA, should it be purchased by the space agency. Otherwise, NASA's job is to develop the revolutionary new technologies that are too long-term, or high-risk, or expensive for industry to develop. In addition to its in-house facilities—some modeled on the highly successful arsenal system employed by the military in previous eras—NASA already has privatized much operational work through contracts to private sector and non-profit organizations, as well as many R&D activities.

Parenthetically, the Commission suggests that the Administration evaluate the possibility of involving industry, by allowing advertisements or sponsorships to "provide supplemental revenues to accelerate discovery." Remember Enron Field?

NASA will have to face the fact, the Commission states, that its Apollo-era infrastructure is not suited to the new exploration vision. NASA's ten field centers must be "renewed, empowered, focused, and more effectively leveraged."

What the Commission really meant, as chairman Aldridge stated at the press conference on June 16, is that there should be an activity modeled on the Base Realignment and Closure Commission, to lead to the closure of one or more "redundant" NASA Centers. But, Aldridge admitted, the Commission's report "would have been burned" the day it was presented, if it had included the proposal to shutter any NASA field centers.

Instead, the Commission proposes that the field centers be turned into Federally Funded Research and Development Centers (FFRDC), operated by a non-government organization, chosen through a competitive process. No longer protected by civil service regulations, employees at the centers could be fired if the project they work on has been cancelled

in order to fund the new program.

Or, rather than fire people, the FFRDC could try to drum up outside work to keep its people employed. The Department of Energy research laboratories that are FFRDCs now have scientists, who had worked at the frontiers of physics for decades, designing pollution control devices for near-by towns.

How can the Commission seriously propose that the Moon/Mars mission would not only require all of NASA's existing scientific and engineering talent, but thousands more people, in an upgraded workforce?

The Pentagon Model

The President's Commission recommends that a slew of organizational and management structures and approaches now used in the Department of Defense be imported into the space agency. This ignores the fact that the primary responsibility of the DoD is to operate a set of functional capabilities so the nation can defend itself. NASA, on the other hand, is a research and development agency, whose mandate is to develop the next generations of advanced technologies, to enable the exploration of space. These are two quite different missions.

It is recommended in the Commission report that NASA "enhance its managerial effectiveness" by creating an organization comparable to the Cost Analysis Improvement Group at the Pentagon, which makes independent cost estimates of weapon systems. This is supposed to provide a check against program managers who underestimate the cost or schedule of tasks, and also to provide discipline in the procurement process.

But NASA is not producing multiple models of guns, ships, or airplanes, in which one version that overruns cost or schedule can just be cancelled, as is done in the Defense Department. Many pieces of space hardware are virtually one-of-a-kind, involve multi-years of research and development, and challenge the frontiers of technology. Will the manned Moon mission be cancelled by budget bureaucrats, if it runs over budget?

Just as the Commission itself argues that the "total cost" of the Moon/Mars mission cannot be provided to Congress because no one knows what it will be, the same is true of numerous NASA programs. Managers give it their best guess when motivating the funding for a program. Figures presented that purposely underestimate the projected cost of a mission, are a function of a lack of support, particularly from Congress, to provide the resources that are necessary. That problem will not be changed by having an "independent" analysis.

Similarly, the report proposes that NASA create an organization drawing upon lessons learned from the Defense Advanced Research Projects Agency (DARPA). This small organization—chartered to fund high-risk research, some of which could introduce fundamental changes in technology—functions as an "incubator of cutting-edge technologies." However, as the Commission off-handedly admits, NASA has entities, such as the Institute for Advanced Concepts, and the future propulsion office at the Marshall space Flight Center, that already do that.

Another recommendation in the Commission report is for NASA to use the Pentagon's "lead system integrator" approach. "How does the U.S. Secret Service protect the Commander-in-Chief?" the report asks, as if that is comparable. The answer provided is, with a "system-of-systems." The integration of numbers of complex systems, it explains, should be done by a "lead system integrator," which gives management the responsibility to select contractors for design and manufacturing, etc.

Perhaps the Commission should take a harder look at the management technique developed in NASA to land a man on the Moon, about which books have been written on how to apply this method throughout industry. Each field center had responsibility for major systems, such as the Saturn V rocket or the Apollo spacecraft, each of which was complex, and ultimately built by industrial contractors. The job of NASA headquarters was to ensure that all of the systems would together carry out the mission. It worked quite well.

The Commission correctly points out that for the vision to be implemented, it must be a national program, supported by the nation's leadership, and not just a NASA mission. Sidestepping the fact that the President has not mentioned the program *even once* since announcing it five months ago, the Commission promotes constituting a space Exploration Steering Council, likely chaired by the Vice President, to include "representatives of all appropriate Federal agencies." This attempt to resurrect a National Space Council is misguided.

Except for the Kennedy Administration, when Vice President Lyndon Johnson took an active interest in space along with the President, a Cabinet-level Council has generally brought other departments' interests into policymaking discussions, rather than providing any help to NASA. If the Commission's aim is to bring all governmental resources to bear on the exploration mission, this should be done at the technical, not the policy level. NASA already has working program-level cooperation with the Departments of Energy and Defense, as well as with the National Institutes of Health.

NASA does not need a new set of structures and organizations, or a cultural make-over, in order to go to the Moon and Mars. Nor will what NASA does, largely determine whether or not the program will be carried out.

The Commission places great emphasis on the idea that the Moon/Mars vision must be "sustainable" over many sessions of Congress and ten Presidential Administrations (and one could add, numerous NASA Administrators). What the program needs is the commitment of the White House to explain the critical importance of the mission, and fight for the resources to do it. That is the way it will have the necessary backing of the Congress and the American people.

Congressional Closeup by Carl Osgood

Republicans Resume Push For Energy Bill

Congressional Republicans have made a tactical decision to jack up the pressure on Democrats to break the logjam in the Senate on the energy bill, stalled since last November by a Democratic filibuster. At the same time that GOP Senators were telling reporters that the Democrats were to blame for the recent spike in gasoline prices, House Republicans were pushing through passage four bills to "send a message" to the Senate to act.

The GOP leaders glossed over the fact that some of their problems stem from within their own party. One reporter at their June 15 press conference noted that a number of Republican Senators had walked away from the energy policy bill for parochial reasons. Senate Energy and Natural Resources Committee chairman Pete Domenici (R- N.M.) replied that "If we picked up four or five or six Democrats . . . we'd get the bill. So you know, you can talk about us, but we're right in talking about them."

Democrats in the House were quick to emphasize the very fact that Domenici wished to ignore. Rep. James McGovern (D-Mass.), noting that both bodies are controlled by Republicans, suggested "They should talk to each other and try to work things out."

Democrats also minced no words on the process taking place in the House itself. Of the four bills the House passed on June 15 and 16, one was a rehashing of the energy policy bill. Another was a bill to ease restrictions on siting and constructing refineries, which went to the House floor without being considered by the Energy and Commerce Committee. McGovern called the process "indefensible" because "people are getting locked out and bills are being rushed to the floor without hearings and without markups, but also, this is bad policy."

No Budget This Year?

House Appropriations Committee chairman C.W. Bill Young (R-Fla.) started off the appropriations process, this year, by announcing that after the House is finished with its 13 bills, he would roll them all up into a single omnibus spending bill. "Then it would be my plan to take all 13 bills and incorporate all 13 into one bill, and go to conference with the Senate," he said on June 16. He added that he hoped to get the omnibus done before the end of the fiscal year on Sept. 30.

Young was reportedly echoing Senate Appropriations Committee chairman Ted Stevens (R-Ak.) who indicated the night before that he also might be forced to go the omnibus route.

The talk of omnibus bills is yet another indication of the chaos reigning in the budget process, with the Senate GOP leadership still not having brought the budget resolution to a vote, and the House Republicans still in dispute over a budget enforcement bill passed by the House Budget Committee back in March. Young, as part of his omnibus plan, wants only one-year spending caps on the budget, but Budget Committee chairman Jim Nussle (R-Iowa) and other budget hawks have been pushing for the five-year caps included in the enforcement bill. House leaders have not come down on one side or the other, or anywhere in between, yet.

Meanwhile, Young has begun pushing appropriations bills down to the House floor. The House voted 334-86 on June 17 to pass the Interior Department Appropriations bill, and voted 400-5 the following day for the Homeland Security bill. The Homeland Security bill comes in at $33 billion, about $2 billion below last year's appropriation, but $900 million more than the Bush Administration request. Young expects to move the Defense and the Energy and Water Development Appropriations bills next, and to finish the entire process in the House by June 23.

Tax Bill Vehicle for GOP Special Interests

A $4 billion tax bill intended to bring U.S. tax law into compliance with a World Trade Organization ruling on export subsidies, became a $150 billion bill under House Ways and Means Committee chairman Bill Thomas (R-Calif.), which, by his own account, became an "opportunity" to "have a look at the problems" in the tax code. The original bill repealed a tax break for exporters and replaced it with a reduction in the top corporate tax rate from 35% to 33%. Added to that were numerous provisions extending soon-to-expire tax breaks and tax benefits for companies with foreign operations; creating an income tax deduction for state and local sales taxes; and enacting a $10 billion tobacco buyout, among other things.

The Republicans named the bill, the "American Jobs Creation Act," because all of the tax changes in the bill will supposedly create jobs. Thomas claimed that the changes were necessary because "small businesses in certain industries are faced with a discriminatory U.S. tax code that puts U.S. small businesses at a disadvantage to foreign businesses. He said that all of the various tax breaks, such as for tackle boxes and fish-detecting

equipment, are in the bill "because our code discriminates against American producers."

Rep. Charles Rangel (D-N.Y.) blasted the bill for having nothing to do with reform, and because it was brought to the House floor before many members had had a chance to read its 400 pages. "So, you can put lipstick on a pig," he said, "but you cannot call it a lady." Democrats charged that the bill also encourages corporations to move jobs offshore, except for those of the lobbyists who helped write the bill. "We can see that the big fish do well in this bill," said Rep. Lloyd Doggett (D-Tex.), "while the American people are told one whopper after another."

Senate Votes Against Torture

During its continued consideration of the Fiscal 2005 Defense Authorization bill, the Senate took the momentous step of adding, on June 16, an amendment reaffirming the prohibition of the use of torture against individuals in the custody of the United States. Sen. Richard Durbin (D-Ill.), the sponsor of the amendment, told the Senate that it was "a reaffirmation . . . that we are committed, as every administration has been going back to President Abraham Lincoln, to oppose torture and the kind of inhuman conduct and treatment that we saw at Abu Ghraib prison" in Iraq.

The amendment also requires the Defense Department to promulgate guidelines on proper conduct during interrogations and on treatment of detainees, and to report to Congress when violations occur. Senate Republicans, apparently not wanting to go on record against the amendment, let it pass on a voice vote.

However, the GOP was not so accommodating on another amendment, to prohibit contractors from participating in interrogation of detainees. Sen. Christopher Dodd (D-Conn.) argued, in the context of the Abu Ghraib scandal, that intelligence interrogations "ought to be inherently a governmental function, and one that is not shopped out or outsourced . . . where there is no accountability, no chain of command, no responsibility, and virtual immunity if they do anything wrong" under military law. Senate Armed Services Committee chairman John Warner (R-Va.) replied that the amendment was impractical because of the already heavy reliance on contract translators and interrogators at Guantanamo Bay and elsewhere, and because there is no in-house capacity to replace them. Warner's argument prevailed and Dodd's amendment was turned down by a vote of 54-43.

Democrats Skeptical of Wolfowitz Testimony

House Armed Services Committee chairman Duncan Hunter (R-Calif.)—as has become the pattern in recent months—spared no effort in defending the Bush Administration's Iraq policy during a hearing of his committee on June 22; but his efforts failed to protect Deputy Secretary of Defense Paul Wolfowitz from those Democrats who would not accept his testimony at face value.

Rep. Neil Abercrombie (D-Hi.) was the most pointed in his questioning, demanding to know from Wolfowitz, what exactly the relationship will be between American forces in Iraq, and its government after June 30, and what will be the conditions for withdrawal of U.S. forces from that country. On the one hand, Wolfowitz said that mechanisms were being put in place by which the two sides will consult with each other on conducting either joint or separate military operations. On the other hand, he said, "We're fighting a very determined enemy" and an elected government in Iraq will face defeat without the American presence.

Abercrombie responded that he thought that what Wolfowitz was proposing "is virtually schizophrenic. On the one had, you're saying that everything is working according to the plans that we have. . . . And yet, when it comes to the United States being able to extract itself in an honorable fashion . . . it suddenly disappears."

Rep. Baron Hill (D-Ind.) subjected Wolfowitz to further grilling about his own record calling for war on Iraq since the early 1990s, and his relationship with Ahmed Chalabi. Wolfowitz first claimed that what he advocated in the 1990s was more help for the Iraqi opposition; but, "For me, everything changed after Sept. 11." The "mere fact of contact" between Saddam Hussein and Al-Qaeda, he added, "is disturbing," and apparently enough justification for invasion. Then, Wolfowitz claimed that Chalabi was not "an important part of our intelligence."

Hill blasted Wolfowitz, telling him that "I think the evidence is overwhelming that you and Mr. [Richard] Perle and others decided a long time ago that Saddam Hussein had to be removed, prior to Sept. 11"; that Wolfowitz was trying to make connections between Iraq, and that event, that do not exist. Hill noted, at the end of his time, that he had voted for the Iraq war resolution on the basis of an intelligence briefing claiming Iraq had drones that could threaten the United States, which proved to be a fabricated story.

Hersh Exposé: Israel Out To Blow Up Southwest Asia

by Jeffrey Steinberg

If *New Yorker* magazine writer Seymour Hersh has it right—and an impressive number of Washington and Tel Aviv sources interviewed by *EIR* say he does—then Israeli Prime Minister Ariel Sharon and the top Israeli Defense Forces (IDF) generals have embarked on a wild provocation, which could very shortly result in a total explosion of warfare and chaos in Southwest Asia. *EIR* has further learned that Prime Minister Tony Blair's inner circle of British geopolitical pranksters appears to be in on the action, for their own geopolitical objectives.

Hersh played a pivotal role in revealing the torture scandals at Abu Ghraib prison in Baghdad, with a series of *New Yorker* stories which leaked the details of the torture investigation by Gen. Anthony Taguba, and revealed a top-secret Defense Department "black" counterterror program. Now he has penned a June 28 story, "Plan B," which exposes Israeli clandestine operations in the Kurdish region of northern Iraq.

According to Hersh, beginning in the Summer of 2003, Israeli intelligence assets on the ground in "liberated" Iraq began feeding back warnings of a planned major insurgency, targeting the U.S.-led occupation. The Israeli assets warned of strong Iranian backing for the irregular warfare program. Hersh quoted former CIA Southwest Asia specialist Flynt Leverett, who recounted the Bush Administration's rejection of a multilateral approach to the counterinsurgency requirements, choosing instead to continue with the neo-con insistence that the United States could "go it alone." Furthermore, Leverett noted, the Bush White House chose to "deploy the Guantanamo model in Iraq," abandoning international law and unleashing the torture techniques that have now engulfed the Administration in scandal, amid well-founded accusations of Hitlerian war crimes.

According to the Hersh chronology, in November 2003, the CIA station chief in Baghdad filed a confidential country assessment, referred to as an "Aardwolf," warning that Iraq was on the verge of chaos, and that the Interim Governing Council and the Coalition Provisional Authority were incapable of governing.

Meanwhile, in Tel Aviv, Israeli military and intelligence assessments of the deterioration of the situation on the ground in Iraq were even more dismal. According to Hersh, in late 2003, former Israeli Prime Minister Ehud Barak, a onetime legendary head of the Israeli special forces, personally contacted Vice President Cheney, to warn of the imminent humiliation of the Americans in Iraq. Cheney reportedly ignored Barak's warnings. By the end of 2003, the Sharon government and Israel's General Staff decided to "go it alone."

The Turkey-Israel Split-up

Sources in Israel and the United States have emphasized that, by late 2003, ties between Turkey and Israel, which had formerly been extremely close, were near the breaking point. Israeli military training missions and pre-positioning of equipment in Turkey were cancelled by the Erdogan government, with at least the tacit backing of the Turkish military establishment.

Back to Hersh's account: "By the end of last year Israel had concluded that the Bush Administration would not be able to bring stability or democracy to Iraq, and that Israel needed other options. Prime Minister Ariel Sharon's government decided, I was told, to minimize the damage that the war was causing to Israel's strategic position by expanding its

long-standing relationship with Iraq's Kurds and establishing a significant presence on the ground in the semi-autonomous region of Kurdistan. Several officials depicted Sharon's decision, which involves a heavy financial commitment, as a potentially reckless move that could create even more chaos and violence as the insurgency in Iraq continues to grow.

"Israeli intelligence and military operatives are now quietly at work in Kurdistan, providing training for Kurdish commando units and, most important in Israel's view, running covert operations inside Kurdish areas of Iran and Syria. . . . The Israeli operatives include members of the Mossad, Israel's clandestine foreign-intelligence service, who work undercover in Kurdistan as businesmen and, in some cases, do not carry Israeli passports."

Hersh identified the Kurdish insurrection inside Syria in March 2004, as one such Israeli-run destabilization of the Bashar Assad government. He also reported that Israeli commandos joined Kurdish counterparts in penetrating Iran recently, to install sensors to monitor activity at suspected Iranian nuclear weapons facilities.

One U.S.-based Israeli source, with access to the Sharon government, confirmed the essentials of the Hersh account to *EIR,* adding several other features:

1. There are more than 1,000 Israeli commandos currently operating, under Israeli and American private-sector cover, inside the Kurdish region of Iraq. The American-based companies involved are actually Israeli-owned front companies, registered in Delaware.

2. Sharon is hell-bent on conducting a major military operation against Syria before the end of the Summer. Originally, Sharon had hoped to stage part of the planned actions out of Turkey. When military-to-military cooperation between the two Southwest Asian powers soured over the Iraq War and other regional issues, Sharon opted for the Kurdish basing instead.

3. Sharon's original timeline for a major military assault on Syria was in June or early July 2004. This posed a serious problem for President Bush, who is attempting to salvage his re-election campaign by turning to NATO and Arab allies for help in restabilizing Iraq, after one year of neocon-led incompetence, fantasy, and failure. According to the source, in a recent phone conversation with Sharon and Israeli Defense Minister Shaul Mofaz, National Security Adviser Condoleezza Rice gave the green light, in President Bush's name, for an early assault on Syria. Sharon and Mofaz had promised to "discover" Iraqi weapons of mass destruction, hidden inside Syria, near the Iraq border, in the course of military operations. But President Bush had given no such authorization, and when the corrected U.S. position was reported back to Sharon, it led to a heated telephone exchange between the two heads of state. This deepened Sharon's determination that Israel must "go it alone." According to the source, Israel is no longer keeping the Bush Administration informed on its plans to strike at the Iranian nuclear facilities before they go on line.

4. As ties between Tel Aviv and Washington have frayed in recent weeks, Sharon has turned to Britain's Tony Blair, as a newly upgraded strategic ally. Recent secret British-Israeli military-to-military deals have been struck, involving the passing of British satellite surveillance data to the IDF, to fine-tune an Israeli strike on Iranian nuclear facilities. Blair is operating on behalf of a British Fabian "liberal imperialist" scheme to dominate a "New Europe" which will replace the Bush-Cheney United States as the dominant strategic power in Eurasia. To the extent that an Israeli-triggered Southwest Asian descent into chaos causes irreparable harm to the U.S. presence in the area, Blair's geopolitical svengalis are prepared to lead the "New Europe" to fill the strategic vacuum.

A Coming Explosion

Key to the renewed Israeli-Kurdish cooperation is an agreement that Israel will provide material support to a Kurdish move to establish an independent state, on the Kurdish-populated regions of Iraq, Iran, Turkey, and Syria, according to both American and Israeli sources, who spoke to *EIR* after the publication of the Hersh story.

As Hersh reported, the Israeli commando training of the Kurdish Peshmerga militia is, in part, aimed at conducting clandestine counterinsurgency operations against both Sunni and Shi'ite insurgents inside Iraq. But the effort will contribute mightily to the near-term breakup of Iraq. And that is where the nightmare begins:

1. Any move by the Kurds to establish an autonomous Kurdistan—particularly one that includes the oil-rich region around Kirkuk—will be met by a harsh military response from Turkey, triggering a regional war that could involve Israel.

2. Any breakup of Iraq—as envisioned by Sharon, and by the likes of Deputy Secretary of Defense Paul Wolfowitz, Council on Foreign Relations figure Leslie Gelb, fiction writer Ralph Peters, and British Fabian Christopher Hitchens—will spread chaos throughout the area. It is the consensus of a half-dozen regional specialists interviewed by *EIR,* that the emergence of a separate Shi'ite entity in the south of Iraq will inspire a revolt of the Shi'ites in the Eastern Province of Saudi Arabia, the area that holds all of the Kingdom's oil reserves. Such a Shi'ite revolt would spread to other vulnerable Gulf states, including Bahrain and the United Arab Emirates.

3. Such an outbreak of bloody chaos in the Persian Gulf this Summer, sending petroleum prices soaring toward $80 per barrel, would trigger the kind of financial and economic meltdown that Lyndon LaRouche has been warning of for months. Nevertheless, desperate Washington fools, typified by a Vice President Cheney who faces a growing demand for his ouster from office, now see such war and chaos as their only means of clinging to power.

The Tragic Modern History of the Kurds

by Hussein Askary

"If you are not a flower, don't be a thorn."
—Kurdish proverb

Having lived most of my life among Kurds, I can say that they are a people with a great sense of humor and self-irony. Therefore, they survive tragic developments. However, their political leaders have a self-conception of being "underlings" of major powers involved in a "grand strategy," not national leaders representing legitimate aspirations of their people. They are today, once again, playing a dangerous game which could end with a tragedy whereby their people will be crushed by regional powers Iran, Turkey, and Syria, which see themselves as threatened by Anglo-American-Israeli schemes in the region. At the same time, the Kurds are risking a civil war in Iraq.

The Kurdish people, about 20 million in number, are geographically spread in mountainous regions spanning northern Iraq, northwest Iran, northeast Syria, southeast Turkey, Armenia, and parts of the Caucasus. They are Muslims; they speak different dialects of an Indo-European-family language, Kurdish, which is closer to Persian, Urdu, and Hindi than to the Semitic languages such as Arabic and Hebrew. About 8 million Kurds live in Turkey, 4-5 million in Iran, 4-5 in Iraq, and the rest in Syria and the Caucasus. The subject of this article is the leadership of the Kurds in Iraq; a longer feature will deal with the complex history of manipulation of the Kurds in "big power" geopolitical chess games.

Decades of Manipulation

The modern history of the Kurds of Iraq is a tragi-comedy of sorts. Just read the words of the leader of the Kurdistan Democratic Party (KDP), Masoud Barzani, who is the major U.S. ally in Iraq today. The following are excerpts from an interview given by him to the Arabic daily *Al-Hayat,* published on Nov. 11, 2002, regarding Mullah Mustafa Barzani, Masoud's father:

Al-Hayat: "Is it possible to lead a complicated struggle in an extremely complex region, on the basis of sincerity?

Barzani: "[No], that's why he became a victim of this sincerity many times.

Al-Hayat: "Who deceived Mullah Mustafa Al-Barzani?

Barzani: "Many did. Many of them were Kurds. When deceit comes from within the Kurdish household, it is painful. There were those who deceived and annoyed him for some time, but the big double-cross came from Henry Kissinger. The big and effective double-cross came from Kissinger.

Al-Hayat: "Do you mean the 1975 Algeria Agreement between Saddam and the Shah [of Iran]?

Barzani: "Yes, if it were not for Kissinger's deceit, the Shah would not have dared to betray Barzani.

Al-Hayat: "The relationship between the Shah and Barzani was not that good.

Barzani: "Not at all; the relationship lacked the crucial element upon which any serious relationship would be built, that is trust.

Al-Hayat: "But Iran did give support to the Kurds, didn't it?

Masoud Barzani: "Yes, Iran had an interest and we had certain interests. But, it was obvious that it did not desire the [Kurdish] revolt to succeed. The Kurds needed any help, because their existence was threatened. Iran had disputes with Iraq, and wanted to use the Kurds as a playing card in negotiating with the Iraqi regime on the Shat al-Arab [river] and other issues. But, the Shah's capability to deceive Barzani was limited. When Kissinger came on the line, it became possible for the Shah to strike a deal with the Iraqis at the expense of the Kurds. And this is what happened.

Al-Hayat: "This means that the Kurdish people keep some bitter memories about Kissinger's role?

Barzani: "Of course. Kissinger bears the main responsibility for the disaster which befell the Kurdish people after 1975. In 1993, I was in Washington, and he [Kissinger] asked to meet me, but I refused. For me, he is enemy number one. I will never forget what the Kurds had to pay as a result of his stances, maneuvers, and the deals he made without taking into consideration the suffering these caused."

Israeli Involvement

The background to this, in brief, is the following:

Mullah Mustafa Barzani was a clan leader in northern Iraq. He founded the KDP in 1946 and joined the 1946-47 Kurdish "Mahabad Republic" uprising in Iran, with the support of Soviet Russia and under its protection, as it was an occupation force in Iran since World War II. The Soviets withdrew in 1947 and the "Mahabad Republic" collapsed. Barzani sought asylum in Russia and was trained by the Russia military. He returned to northern Iraq in the early days of the Cold War as a Soviet asset, against Anglo-American assets Iraq, Iran, and Turkey, who were forming the Baghdad Pact. In 1958, with the outbreak of the Iraqi republican revolution and the overthrow of the British-controlled monarchy, the Kurds joined the revolution. But as Iraq moved more toward the "socialist camp," the Anglo-American intelligence apparatus was looking for "a client" to destabilize Iraq, and their choice became the Kurds, who would be recruited, in collaboration with the Shah of Iran and Israel, through

promises of support to get independence. This process intensified in the mid-1960s, as Israel was preparing its expansionist assault in the region.

Former Israeli Mossad agent Victor Ostrovsky wrote in one of his books: "Starting in 1958, as part of an alliance with the Shah of Iran, Israel started arming and training Kurds in northern Iraq to revive their struggle against the Baghdad government. In 1963, Mossad increased the volume of aid, turning what up until that time had been a small intelligence contingency kept alive with occasional arms shipments into a massive onslaught of weapons and military advisers, all channeled through Iran. . . . In August 1965, the first training course run by Israeli instructors for Kurdish officers was held in the mountains of Kurdistan. Israeli meetings with Kurdish political leaders were held in Tehran. One result, according to some reports, was that the Kurds mounted an offensive against the Iraqis at the time of the June 1967 war, keeping Iraq from offering aid to other Arab armies. After the 1967 war, the Kurds were supplied with Soviet equipment captured by Israel from Egypt and Syria. Israel also provided the Kurds with some $500,000 a month, and Iraqi Kurdish leader Mulla Mustafa Barzani visited Israel in 1967 and again in 1973. Also in 1973, the Kurdish rebellion in northern Iraq was expanded from a purely Israeli-Iranian project to include support from the U.S. Several CIA liaison officers were stationed in Barzani's headquarters."

Barzani visited Israel in 1968, to meet with government officials and leaders of different parties.

The new Iraqi Baathist government, which came to power in 1968 through a military coup, realized that the Israelis and other world powers were intending to play the Kurds once again as a geopolitical card, and decided to negotiate an "autonomy" agreement with Barzani. Ironically, the negotiations were headed on the Iraqi side by then-Vice President Saddam Hussein; in March 1970, the Kurdish Autonomy agreement was concluded, which stated that the Kurds were a distinct cultural group and had the right to practice that culture and their language, and to run their own internal security and political affairs within the framework of a unified Iraq. Several Kurds would be included in the central government in Baghdad. The two sensitive aspects over which the Kurdish autonomous region could not have power, were oil revenues and the army.

Henry Kissinger came into the picture when he started pushing the Kurds to demand further rights, mainly control over the petroleum wealth of Kirkuk, and an independent economic policy. Kissinger promised the Kurds support if they went against the agreement, and assured them of the support of the U.S.-puppet, the Shah of Iran, in a rebellion to be financed by the CIA to the tune of $61 million.

The rebellion started in 1973. At that point the Iraqis were ready even to talk about the new Kurdish demands. Barzani's advisors told him that this was the best the Kurds could ever get; but he replied that he had assurances from the U.S. side. However, by 1974-75, Kissinger turned around and arranged a deal between Iran and Iraq, whereby Iraq would hand over to the Iranians, control of the eastern bank of the Shat al-Arab River in southern Iraq on the border between the two countries. In return, Iran would drop its support for the "Kurdish cause." This became known as the 1975 Algeria Agreement.

The Kurds were double-crossed, their uprising finished, and 200,000 refugees fled to Iran. The Shah made a good deal, and Kissinger won some favors with the Iraqi regime, which was leaning more and more toward the Soviet Union, especially after the nationalization of Iraqi oil away from British control in 1972.

Now, this was the exact time-frame in which Lyndon LaRouche was involved with the Israeli, Iraqi, and other Arab nations, to find a peaceful solution for the region on the basis of "peace through development." Kissinger worked feverishly to sabotage that effort.

Barzani went down to ultimate humiliation when the Shah refused to meet him, and when he went to the United States the next year, no American top official would either. He was only provided with a bed in a hospital where he died of cancer in 1979.

So, what makes Masoud Barzani, with all this insight into the treatment accorded his father, trust a Paul Wolfowitz (a less sophisticated thug than Kissinger)? Is it the "underling" mentality, which turns him and the Kurds repeatedly into tools of big powers?

Future Prospects for the Kurds

It is obvious from a look at the map that the Kurds will never be allowed to play a negative strategic role against the nations of the region. The Kurds are metaphorically and physically "landlocked." Forget about the oil of Kirkuk. How would an independent Kurdistan transport crude oil to the world markets? By aircraft? So, how should they define their relationship to the nations of the region and the world?

This author, who became aware of the reality of the political world in the midst of the suffering of the Kurdish people, intends to be a "flower, not a thorn." Therefore, in discussion with Kurdish politicians, he lays out the only viable solution for the "Kurdish Question." In the framework of the LaRouche Doctrine and LaRouche's Eurasian Land-Bridge strategy, the Kurdish areas could become one of the most developed regions in Eurasia. It has water, energy, minerals, arable land, and an educated labor force. Like the population of Iraq, they are highly motivated and oriented toward economic and cultural development. The Kurds could turn their region into a center of development, transportation, and trade among peacefully cooperating nation-states; nation-states that are equally sovereign and unified, where, in each respective nation, the Kurds are regarded as equal citizens, although retaining their distinct language and cultural features that have to respected and protected.

Germany's SPD Becoming A Failed Party?

by Rainer Apel

The June 13 elections for European Parliament left Germany's governing—for now—Social Democrats (SPD) in a state of shock and paralysis, with only 21.5% of the vote, the SPD's worst result in any kind of nationally-held election, since the founding of the German Federal Republic in 1949. The boycott of those elections by discontented constituencies, the low 45% voter turnout on June 13, meant that less than 10% of the electorate voted Social Democratic.

Long one of the two big parties in Germany, with the Christian Democrats, the SPD has dropped to a distant third place in the five eastern states of Germany (Saxonia, Saxe-Anhalt, Brandenburg, Thuringia, Mecklenburg-Prepomerania), behind the Christian Democrats and the Democratic Socialists (former communists). In Berlin, the German capital, the SPD dropped to the third position behind the Christian Democrats and the Greens.

Worse, looking forward to the Sept. 19 elections for state parliament in Saxonia, the SPD may not even receive 10% of the vote; it could drop to something close to the 5% mark!

Degeneration Dates from 1980s

The June 13 election disaster is the low point of a 30-year degeneration of the Social Democrats, which accelerated after it took over the national government in October 1998. After the oil crisis of 1973, the SPD was—although already infected with the virus of 1968 counter-culture—still opting for peaceful use of nuclear technology; it was supportive of rapid Third World economic development; it was still oriented towards the interests of its industrial labor voter base; and it was loyal to the social welfare state model and the principle of the common good. But, replaced in government by the Christian Democrats in October 1982, the SPD transformed itself, step by step, into a predominantly ecology-oriented party seeking political alliances with the radical-ecologist Green Party. When these two took back the government in October 1998, their "Red-Green" coalition moved rapidly to abandon nuclear technology, introduce drastic cuts in the labor market and in social welfare budgets, and adopt the "third way" brand of neo-liberalism which Tony Blair's "New Labor" had introduced in May 1997 in Britain.

From late 1998 on, the SPD increasingly alienated its voter base in the traditional high-technology sectors of the industry, among labor unions in general, among retired citizens and other sections of the population that were most exposed to the budget-cutting policies, and among the productive *Mittelstand* of small and medium-sized firms. It sought new constituencies expected to be generated by the speculative bubble of the "New Economy"—which collapsed from late 2000 on.

Since then, the SPD has struggled with an unabated loss of voters, and Chancellor Gerhard Schröder won the national elections in September 2002 by only 6,000 votes over the opposition Christian Democrats, as he exploited the broad anti-war ferment among the German population, which was opposed to Bush's Iraq War buildup. The anti-war trick could not be repeated: going into the campaign for the European Parliament elections, the SPD tried to gain votes with the slogan "Power for Peace Europe," but voters are more interested in the economic-social situation, on which the SPD has no answers at present except additional budget cuts. A minor percentage of SPD voters switched to other parties on June 13, but the majority stayed home. The SPD has now arrived at a point only a few steps from being really turned into a minor political party.

The LaRouche movement and its BüSo party in Germany have begun an intervention, with an open letter written by chairwoman Helga Zepp-LaRouche, posing the question whether the SPD is still able to save itself from elimination. Reviewing the three decades-long degeneration of the Social Democrats, the letter urges SPD members to recall that during the peak of the first Great Depression more than 70 years ago, their party did have a programmatic alternative with the WTB-Plan (named after three leading labor officials, Woytinsky, Tarnow, and Baade), which outlined a crash remobilization of productive industry to re-employ 6 million unemployed Germans. The failure of the SPD leadership in 1931-32 to adopt this plan of a broad political campaign, played into the hands of the synarchist conspiracy to bring the National Socialists to power, leading to the crushing of the SPD as a party in 1933.

With the LaRouche Eurasian Land-Bridge development proposal, there is an alternative to economic depression and insane budget-balancing, the open letter says, which the SPD of today must study and discuss.

Can the SPD still save itself if it decides to, given its current bad condition? There is evidence that a potential remains, though much embattled, for a change. Among labor unions, there are still members and officials that insist on bigger public infrastructure development programs at the expense of budget-balancing. Dierk Hirschel, for example, chief economist of the national labor federation DGB, in a June 23 statement reminded the SPD and the Chancellor of the investment backlog of 700 billion euros, in municipal and regional public infrastructure like water and energy supply, transportation, and housing. But time is running out fast for the government to shift priorities, Hirschel warned.

Iran Fights For Right To Nuclear Technology

by Muriel Mirak-Weissbach

The years-long battle being waged by the Islamic Republic of Iran, for the right to develop nuclear energy for peaceful purposes, came to a head in mid-June, during a meeting of the board of the International Atomic Energy Agency (IAEA) in Vienna. What was at stake, was not only Iran's nuclear program, but, by extension, the right of all nations in the developing sector to have access to such technologies.

The ostensible "issue" raised at the IAEA Board of Directors meeting was that of uranium enrichment. The United States has been exerting pressure on Iran, through Russia, which is completing the Iranian Bushehr nuclear plant, as well as through Europe. Claiming that Iran's nuclear program is a cover for a nuclear weapons program, hardliners like Undersecretary of State for Arms Control John Bolton have attempted to break up Russia's agreement with Iran, to complete the current plant, and continue building several more. Similar pressure came down on the three European governments—Great Britain, France, and Germany—which had succeeded in mediating an agreement with Tehran last Autumn to sign an additional protocol to the nuclear Non-Proliferation Treaty (NPT).

At that time, a similar fight was brewing in the IAEA, again ignited by the United States through Bolton. The IAEA had issued an ultimatum to Iran during its September meeting, that it "prove" that its nuclear program had nothing to do with weapons development. The three European foreign ministers, who had sent a letter to Iran urging cooperation with the agency, had been invited to visit Tehran for talks. Those talks took place, and on Oct. 21, a final, joint declaration—known as the Tehran Declaration—was issued. The Iranian government stated that nuclear weapons had no place in its program, that it would respect the NPT and sign an additional protocol, allowing for intrusive IAEA inspections. In exchange, Iran was promised access to modern technologies, including in the nuclear area, and European cooperation to establish a zone free of weapons of mass destruction in the region.

Europe and IAEA Have Shifted Position

Now, under renewed pressure from Washington, the three European governments which had engineered the breakthrough, and thereby torpedoed any plan to sanction Iran, seem to have shifted gears. They presented a resolution to the June IAEA meeting, which was adopted, proposing that Iran avoid development of any of the whole range of nuclear fuel technologies. Their argument was that such enrichment facilities could be used to produce not only the 35% level of enrichment of natural uranium required for fuelling commercial nuclear reactors, but also weapons-grade enriched uranium.

Iran rejected this ultimatum and on June 24, announced it would resume the uranium enrichment it had voluntarily abandoned last year.

Iranian as well as European sources have told this author that the impetus for a condemnation of Iran's program originated in Anglo-American circles. It was President George W. Bush who recently issued the guidelines for this approach, by stating that no country should be allowed to enrich uranium even to the low level required for fuel for nuclear electric power plants, unless it is already in the U.S.-dominated "Nuclear Suppliers Group," which primarily consists of the United States, Russia, and many European countries. All other nations, according to the Bush Administration's new strategy, should be allowed only to purchase power plant fuel from these "supplier" countries.

In addition, the IAEA itself under Director Mohamed ELBaradei has changed its long-standing approach of nuclear technology development under NPT inspections, to one of technological apartheid against non-nuclear powers, of which Iran is being made one example. Speaking to the June 21 Carnegie Endowment meeting in Washington on nuclear nonproliferation, for example, ElBaradei mooted formal adoption of such a new international policy, backed up by "adequate force" provided by the UN Security Council—the Bush White House demand. ElBaradei spoke of placing the production, reprocessing, and enrichment of nuclear fuel entirely under international control; eliminating the use of highly-enriched uranium (HEU) in nuclear power programs; and eliminating weapons-use material (HEU and plutonium) worldwide.

Other Non-Nuclear Nations React

If fuel production is to be denied Iran, then all other nations in the developing sector can expect to see their nuclear energy ambitions curtailed as well. At the IAEA meeting, when the issue was raised, Malaysian IAEA Ambassador Haniff Hussein warned that this could set a precedent for "questioning the inalienable rights of developing countries for access to peaceful uses of nuclear technology." Among these countries, Brazil has come under massive pressure to shut down its indigenously developed enrichment technology. It has refused to allow IAEA inspectors to examine the process, and asserted its sovereign right to develop nuclear energy technology.

The Organization of Islamic Conference (OIC), which was holding its 31st conference at the foreign ministers level in Istanbul that week, issued a final statement declaring full solidarity with Iran on the nuclear question. The resolution stressed the right of all OIC members to peaceful use of nuclear energy, and praised Iran for having signed the addi-

The October 2003 agreement between Iran's Dr. Hasan Rohani (left), IAEA chief Mohamed ElBaradei (right) and European leaders, now looks like a thing of the past. IAEA decisions on June 16 told Iran it should develop no nuclear technologies except those it might be given by European countries; rejecting this, Iran has announced resumption of construction of a uranium enrichment facility.

tional protocol.

Iran had shut down its enrichment facilities as a gesture of good will towards the IAEA, but had reiterated its intention to continue enrichment. Dr. ElBaradei said, during the Vienna meeting, that the open issues the IAEA has with Iran, over whether it has declared and shut down all of its uranium enrichment facilities, should be brought to a close "within the next few months," but refused to set a deadline. He also said that it was "premature" to conclude Iran was pursuing a military nuclear program.

The resolution presented to the IAEA, in several drafts, expressed "concern" and "serious concern" about Iran's alleged reluctance to fully cooperate with IAEA inspections. One draft said it "deplored" Iran's alleged lack of cooperation. Due to the opposition of Iran and several other developing sector nations to this harsh language, certain changes were made. For example, a new clause was inserted, "recognizing the inalienable right of states" to develop the technology. And, the word "voluntarily" was inserted in a clause which called on Iran to reconsider testing a uranium conversion plant and the construction of a heavy water research reactor. These two projects, at Isfahan and Arak, respectively, are also being challenged, as possibly related to weapons.

The resolution was adopted unanimously by the IAEA's 35-nation board of governors on June 18. The final draft called for speeding up the IAEA's 15-month-old investigation into Iran's nuclear activities, and urged Tehran to enhance cooperation so as to complete the process within a few months. The resolution repeats a call by ElBaradei "that it is essential for the integrity and credibility of the inspection process to bring these issues to a close within the next few months." And it "deplores . . . that overall, as indicated by the Director General's written and oral reports, Iran's cooperation has not been as full, timely, and proactive as it should have been."

The chief Iranian delegate to the IAEA, Seyed Hossein Mussavian, had said in the days before the vote that the Islamic Republic would continue to cooperate with the IAEA. But Iranian foreign ministry official Amir Hossein Zamaninia characterized the resolution as "a major departure from the reality on the ground." He said Iran would decide whether to continue voluntary measures, which go beyond the nuclear NPT, according to "the degree of implementation of the reciprocal commitments." This refers to the promises made by the Europeans, of access to technologies.

The American position, as stated by State Department spokesman Richard Boucher, was that "it's important for the IAEA to continue its pressure on Iran, to continue its investigation, its inspections, to continue finding things out about this program." Boucher added new accusations to the list, saying Iran was trying to conceal sensitive activities, even razing nuclear sites to hide banned nuclear activity. He claimed there were commercial satellite photographs proving his case.

Iran Draws the Line

The Iranian government has categorically rejected all such claims, and correctly identified the source of the pressure in Washington. Following statements by Foreign Minister Dr.

Kamal Kharrazi on June 12, Iranian President Khatami made public a letter he had sent to the three European heads of state. In it, Khatami "warned that the continuation of such behavior, engendered by U.S. pressure, will seriously damage Iran-EU mutual confidence and Iran's cooperation with the international community for the peaceful use of nuclear energy," the Mehr News Agency reported. Referring to the Oct. 21, 2003 Tehran agreement between Iran and the three EU governments, "Khatami warned that Iran would not forgo its inalienable right to nuclear energy for peaceful purposes, adding that if such confrontational behavior continues and they continue to ignore their commitments, Iran will contemplate other alternatives."

As the haggling at the IAEA continued, Khatami again addressed the issue, telling the press on June 16 that the European-Iranian agreement last Autumn had been a two-way deal. "We complied," he said, "with the terms of the protocol as an example of good understanding and suspended the process of uranium enrichment voluntarily." He went on to declare that "Despite the fact that the EU trio had undertaken to facilitate transfer of nuclear technology to Iran and cooperate closely at regional and bilateral levels, they have not kept with their pledges on various pretexts."

The spokesman for the Iranian delegation to the IAEA Board of Governors meeting in Vienna, Hossein Musavian, expressed Iran's protest against the draft resolution presented by the Europeans. He reiterated that Iran would not make any concessions regarding the Uranium Conversion Facility in Isfahan, or the heavy water installations in Arak.

One curious incident at the IAEA meeting on June 17, appeared to shift momentum towards the Iranian side in the conflict. It emerged that an IAEA June 1 report, accusing Iran of wrong-doing, was false. The report said that Iran had not declared until April that it had imported certain parts needed for advanced P-2 centrifuges used to purify uranium for use in atomic power plants or weapons. It turned out that Iran had informed the IAEA as early as January; at the IAEA meeting, Iran presented a tape recording to prove the case. The IAEA had to admit its error. The incident showed that the case against Iran is full of holes.

The Iranian government is eager to settle the nuclear energy issue once and for all, before it hands over the reins of power to a new conservative government. Following the recent elections, a conservative majority took over Iran's parliament. It is now this parliament which is to draft plans for cooperation with the IAEA, and which must ratify any agreements with the body. If the IAEA adopts a hard line, it could lead to a reaction on the part of the new majority, to break off cooperation completely, as Khatami hinted. The person in Tehran who negotiated the breakthrough with Britain, France, and Germany in October was Hjatoleslam Hassan Rowhani, Secretary of the Supreme Security Council, and a prominent representative of the conservative faction. Rowhani had been assigned to lead the talks by the Supreme Leader of the Islamic Revolution, Ayatollah Ali Khamenei. Thus, if the IAEA reneges on its agreements, it will be viewed as an attack against this political faction as well.

The renewed attacks against Iran's nuclear program come in the context of a campaign to discredit the Iranian government, regarding an issue which has nothing ostensibly to do with nuclear power. Rather, it has to do with Iran's vigorous diplomatic activity over the past months, aimed at improving security and contributing to regional stability, around the enflamed Iraq crisis. With its historical relations to Iraq, especially through the Shi'ite religious establishment, Iran has been in a privileged position to influence the course of events there. This has not only not been welcomed by Washington, but has been aggressively countered. First came the scandal surrounding former Iraqi Governing Council member Ahmed Chalabi, accused of passing sensitive U.S. intelligence to Iranian contacts; then came the flare-up over Iran's nuclear energy program.

If U.S. and U.K. pressures push the IAEA and Europeans to further provocations, this could produce a most unpleasant response. High-level political representatives, as well as the Supreme Leader of the Iranian Revolution Ayatollah Khamenei, have made a major issue of the nuclear program in recent speeches. Their position is that Iran has a right to the technology, and will never relinquish it.

Three British Boats

Just days after the IAEA vote, three British vessels were seized by Iran, and their eight crew members arrested. Iranian al-Alam TV reported on June 20, "The crew have confessed to having entered Iranian waters," specifying that "The vessels were 1,000 meters inside Iranian territorial waters."

A British Ministry of Defence spokesman said the boats were being used to train the Iraqi river patrol service, and may have strayed across the maritime border by mistake. According to Iranian television, weapons and maps were confiscated from the men after they were apprehended. Deputy Head of Joint Chief of Staff of Iran's Armed Forces for Cultural and Defense Affairs, Col. Ali Reza Afshar, told IRNA that the detainees were heavily armed and carrying light and semi-heavy automatic weapons, detailed area maps, and logistic and identification equipment.

The men were interrogated for days, and paraded before television camera, blindfolded, while British Foreign Secretary Jack Straw contacted his Iranian counterpart Dr. Kamal Kharrazi to work out terms of a release. On June 24, the men were released, after Iran said it had determined that the incident had not been hostile.

The incident was timely for Iran, which used it to show resistance to anything it considers infringing on its national sovereignty—be it a violation of territorial waters, or withholding of modern technologies. One thing is certain: Iran will not give up its right to nuclear energy.

Military Leaders Expose Sharon's Lies

by Dean Andromidas

Israeli Prime Minister Ariel Sharon and his hardline generals have for the last three years openly called for the assassination of Palestinian President Yasser Arafat. They have told the Israeli public and the world, and convinced the Bush Administration, that Arafat wants to destroy Israel, and therefore there is no "partner" for peace negotiations. Known in Israel as the *konseptzia,* or "concept," this story has been used by Sharon to justify a brutal policy that has led to the death of over 3,000 Palestinians and over 1,000 Israelis. Now senior members of Israel's military-security establishment have come forward declaring that the *konseptzia* is based on lies and is at complete variance with the written professional reports of Israeli Military Intelligence (MI).

Maj. Gen. Amos Malka (res.) told the Israeli daily *Ha'aretz* of June 8 that during his tenure as head of Military Intelligence between 1998 and 2001, the *konseptzia* was not only false, but posed a danger to the security of Israel. Malka charged that it was created by certain senior military officers and fully accepted, with duplicity, by Sharon's government. The *konseptzia* is based on the following lies:

- Arafat and the Palestinian National Authority do not recognize Israel's right to exist and have used the Oslo Accords to further the goal of eliminating the state of Israel.
- Arafat will never give up the full right of return of Palestinian refugees to their former homes inside Israel, in order to destroy Israel through the "demographic weapon" of the Palestinian high birth rate.
- Arafat was responsible for the collapse of the Camp David talks with former Israeli Prime Minister Ehud Barak, mediated by U.S. President Clinton, and initiated the al-Aqsa Intifada to achieve his ultimate goal: the destruction of Israel.

Malka charged that one of the key promoters of these lies was Maj. Gen. Amos Gilad, currently head of the Israeli Defense Ministry's Diplomatic Security Office—a department created for him by Sharon and Defense Minister Shaul Mofaz, from which he is able to maintain liaison with Vice President Dick Cheney's neo-con cabal in Washington. Gilad served as head of MI's research divison between 1996 and 2001, after which—2001-03—he implemented Sharon's brutal policies against the Palestinians as coordinator of activities in the occupied territories.

But Gilad is low man on the totem pole. Well above him are Sharon, Defense Minister Mofaz, Chief of Staff Moshe Ya'alon, and the current head of MI, Gen. Aharan Ze'ev-Farkash. Moreover, these mantras were accepted by the masses of Israelis, both on the right and the left, which is one of the primary reasons Sharon has been able to stay in power.

Since Malka's interview, he has been joined by Col. Ephraim Lavie (res.), who headed the Palestinian desk at MI's research division between 1998 and the first months of 2002, and Mati Steinberg, who until 2002 was an advisor on Palestinian affairs to the Shin Bet, Israel's internal secret intelligence service. Both gave interviews to *Ha'aretz,* concurring completely with Malka's assessment.

Arafat Committed to a Two-State Solution

Blasting the theory that Arafat was never seriously interested in signing a peace agreement with Israel, Malka, according to *Ha'aretz* of June 11, said that his professional assessment, as head of Military Intelligence prior to the Camp David talks, was "that it was possible to reach an agreement with Arafat under the following conditions: a Palestinian state with Jerusalem as its capital and sovereignty on the Temple Mount [al-Haram al-Sharif—ed.]; 97 percent of the West Bank plus exchanges of territory in the ratio of 1:1 with respect to remaining territory; some kind of formula that includes acknowlegement of Israel's responsibility for the refugee problem and a willingness to accept 20,000-30,000 refugees. All along the way . . . it was MI's assessment that he [Arafat] had to get some kind of statement that would not depict him as having relinquished this [the right of return], but would be prepared for a very limited implementation."

In a *Ha'aretz* interview of June 16, former Shin Bet consultant Mati Steinberg confirmed Malka's statement and said, of the dogma that Arafat wants to destroy Israel: "Factually, there is no support for this contention. . . . Let's assume for a second that this was Arafat's intention. Why then did he need to adopt the peace process? Opting for the diplomatic route cost him dearly—between 1997 and 2000 he began to cross the threshold, leading toward a violent stand-off with his opponents. . . .

"As to the assumption that the Palestinian demand for the right of return in a negotiation framework necessarily entails Israel's destruction—that's an erroneous assumption. It's impossible to conceal this sensitive subject, and not include it in an agreement. In fact, it can be claimed that ignoring this topic in negotiations paves the way for Israel's destruction. . . ."

Steinberg also stated that Arafat and the Palestinian Authority are committed to a state based on the 1967 borders, as was achieved by Egypt and Jordan in their peace treaties with Israel. "They understand that the point of contention isn't the existence of the State of Israel, since its existence is accepted by the world, and by Israel's majority. The struggle, as far as they are concerned, is to ensure that the Palestinian state has the means it needs to survive. That means territorial contiguity, the establishment of a capital in Jerusalem, and the Palestinian sovereignty on the Temple Mount. For Palestinians,

realizing sovereignty rights on the Temple Mount is not just a religious or symbolic matter: it's a matter of survival. A Palestinian state which controls the Temple Mount will be a source of interest, and will attract millions of Palestinians; it will be a magnet for tourism and pilgrimages. There isn't a single Muslim—not even the most selfless altruist—who can accept Israeli sovereignty on the Temple Mount. None of this means that I myself propose that Israel accept these demands. I'm only trying to sketch the parameters of a possible arrangement."

Malka warned Barak prior to the Camp David meetings that if these conditions were not met, Arafat could not accept an agreement. Yet Barak at Camp David only offered Arafat somewhere between 77% and 90% of the West Bank, and only after a period of 20 years.

Malka's scenario corresponds almost exactly to what was agreed to in the Geneva Accord peace initiative between Yossi Beilin and Yasser Abed Rabbo—an initiative that Arafat supported, but Sharon did not.

Israel Fanning the Flames of the Intifada

Malka explicitly states that Arafat did not start the Intifada. "The assumption was that Arafat prefers a diplomatic process, that he will do all he can to see it through, and that only when he comes to a dead end will he turn to the path of violence. But this violence is aimed at getting him out of a dead end, to set international pressure in motion to get the extra mile." Reading from his notes from March 2002, Malka said he warned Barak: "Without movement in the diplomatic process, which would give Arafat a sense of real progress, there is a high likelihood of hostilities."

Malka said MI issued a warning, prior to Sharon's infamous march onto the al-Haram al-Sharif/Temple Mount in September 2000, that the tensions were such that all that was needed was a spark to set them off. Although Malka does not state it, Sharon supplied the spark. He also said that when the Intifada broke out, it was the Israeli military that fanned the flames. He reports that in the first month of violence, the military shot over 500,000 rounds of rifle ammunition alone. He said at the time, "the significance is that we are determining the height of the flames." He reported, "I brought the issue up at Central Command discussions, but [then-Chief of Staff] Mofaz went with the militant bit from the very first day and all along the way."

This assessment was supported by Colonel Lavie, who said, according to *Ha'aretz* of June 11, that Arafat was not the mastermind behind the Intifada. "As in the case of the first Intifada, this one also broke out at the grassroots level, as a result of anger toward Israel, toward Arafat and toward the Palestinian Authority. . . ." He reiterated that despite the Intifada, "Arafat had identified the practical possibility of reaching a full agreement while Clinton and Barak were still in office, and he was serious about examining the possibility. . . ."

Rewriting History

All three told *Ha'aretz* that the *konseptzia* has served to justify the hardline policy and bloody deadlock.

Colonel Lavie said, "I can unequivocally state that the written, offical assessments of the research division, as formulated during my service from the summer of 1998 to February 2002, [was that] there was no intelligence foundation for the prevailing concept nowadays. Practically speaking, there were no assessment papers that express the spirit of the prevailing concept."

Steinberg added that the *konseptzia* has become a self-fulfilling prophecy: "Under conditions of an asymmetric confrontation, one in which Israel is many times stronger than the Palestinians, we have decisive influence on the course of events. Hence, a mistaken assessment of the stronger side's part creates reality; it becomes a self-fulfilling prophecy. Major General Amos Gilad claims that the proof of this approach is its verification on the ground; and this motif has echoed in statements made by Defense Minister Shaul Mofaz. I claim that a vicious circle has turned here. Whoever upholds such a position has concluded that there is no possibility of attaining an agreement with the Palestinian side. This approach dictates just one choice to the Palestinians: either they surrender to Israel's dictates, or they rise up against the dictates at all costs. . . . The Palestinian public has come to feel that it has nothing to lose. That's the background to the emergence of a culture of suicide bombers, a culture which grants legitimacy to suicide bombers, regarding them as persons who serve the public. . . ."

'A Scandalous Conspiracy'

Pro-peace members of the Knesset (MKs) and other political leaders called for a government investigation of these charges, including Yahad/Meretz party chairman Yossi Beilin, who described the accusations as revealing "a scandalous conspiracy between certain elements in the defense establishment and the radical concept of Sharon's government, that ganged up to deceive the Israeli public for more than three years, telling it there was no partner for peace." MK Amram Mitzna, former chairman of the Labor Party, also called for an investigation, saying the revelations point to a "political conspiracy" to manipulate intelligence assessments.

One Israeli intelligence source told *EIR* that these attacks by Malka and others, represent a factional struggle going on in Israeli Military Intelligence, and are related to the ongoing Super-Watergate in Washington. "The situation in the U.S. is part of this faction fight."

Another source told *EIR* that, although he could not comment on whether there was a direct connection to what is happening in Washington, there certainly was a parallel. "Just like in the U.S. where you had people building up a perception that had little to do with reality to justify their policy, we here have a similar problem."

Editorial

Lessons from the Torture Memos

In this issue *EIR* presents its documentation of the parallels between the Bush Administration's "torture memos," and Hitler's orders to the armed forces of Nazi Germany as they were about to invade the Soviet Union in June 1941. We also show that the legal arguments of the Carl Schmitt, the "Crown Jurist of the Third Reich," find their echoes in today's U.S. Justice Department under Attorney General John Ashcroft and his band of ideologues in the Office of Legal Counsel.

As we document, every argument advanced by the White House and Donald Rumsfeld's Pentagon, were first generated in the Justice Department. The first phase, which proceeded in late 2001 and early 2002, was the development of the argument that the President could ignore or suspend the operation of international treaties (which are the law of the land, under the U.S. Constitution) and U.S. laws such as the War Crimes Act and the Anti-Torture Statute, both passed by Congress less than ten years ago. This was particularly focussed on the Geneva Convention, but drew on arguments that John Yoo in the Office of Legal Counsel (OLC) and others were putting forward even before the 9/11 attacks.

The second phase was the development of a legal justification for torture, which is laid out in the Aug. 1, 2002 Justice Department Office of Legal Counsel memo authored largely by Yoo, and signed by Jay S. Bybee. The Bybee memo argued, pathologically, that almost any degree of infliction of pain would be permitted under the OLC's interpretation of the Anti-Torture Statute. Further, the Bybee memorandum put forth the argument, long argued by advocates of untrammelled Presidential power, that the Anti-Torture Statute—or, indeed, any law that put restrictions on the President's conduct of war or of foreign policy—is an unconstutional infringement on the President's inherent powers as Commander-in-Chief.

This, as John Dean points out in his new *Worse than Watergate* book (reviewed in our June 18 issue), has been a central theme of Dick Cheney since his days in the Ford White House, when, as Dean puts it, "Congress set about dismantling the imperial presidency" in the wake of Vietnam and Watergate. "Cheney still seems to resent these moves to bring the presidency back within the Constitution," Dean wrote, and he notes that the current Vice President took a leading role in Congress in obstructing the Congressional investigation of Iran-Contra in the 1980's.

It is illustrative that the Bybee brief cites a 1970 memorandum from the then-head of the Office of Legal Counsel—one William H. Rehnquist—to the then-Special Counsel to the President—one Charles W. Colson—on the subject of "The President and the War Power: South Vietnam and the Cambodian Sanctuaries," in support of its arguments that Congress cannot interfere with the President's powers as Commander-in-Chief "to ensure the security of the United States in situations of grave and unforeseen emergencies."

In the Bybee memo, the Rehnquist-Colson memo is cited in the context of showing that the Anti-Torture Statute is unconstitutional if it infringes on the President's power to order torture in times of emergency. This leads directly into the discussions of the legal defenses of "necessity" and "self-defense," which Bybee and the OLC contend could be raised in any future war-crimes prosecution.

This argument, among other things, willfully flies in the face of the United States Constitution, which, in Article I, Section 8, vests in the Congress several crucial powers relating to the military and war, in particular:

- "To define and punish . . . Offenses against the Law of Nations";
- "To declare War . . . and make Rules concerning Captures on Land and Water"; and
- To make Rules for the Government and Regulation of the land and naval forces."

Moreover, the Aschroft Justice Department argument perfectly mimics that of Nazi theorist Carl Schmitt, who prescribed precisely the same powers, unencumbered by the law, to the Leader, in defense of the German nation and people in times of emergency.

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  Sun: 7 am, 1 pm, 8 pm
- WEBSTER—Ch.12
  Wednesdays—9 pm

OHIO
- CUYAHOGA COUNTY
  Ch.21: Wed—3:30 pm
- FRANKLIN COUNTY
  Ch 21: Sun.—6 pm
- LORAIN COUNTY
  Adelphia Ch.30
  Daily: 10 am; or
  12 Noon; or 2 pm;
  or 12 Midnight
- OBERLIN—Ch.9
  Tuesdays—7 pm
- REYNOLDSBURG
  Ch.6: Sun.—6 pm

OREGON
- LINN/BENTON
  AT&T Ch.99
  Tuesdays—1 pm
- PORTLAND
  Tue—6 pm (Ch.22)
  Thu—3 pm (Ch.23)
- SALEM—Ch.23
  Tuesdays—12 Noon
  Thursdays 8 pm
  Saturdays 10 am
- SILVERTON
  Charter Ch.10
  Mon,Tue,Thu,Fri:
  Betw. 5 pm - 9 am
- WASHINGTON
  Comcast Ch. 23
  Wed:7 pm; Fri:10 am
  Sun:6 am; Mon:11 pm

RHODE ISLAND
- E.PROV.—Ch.18
  Tuesdays—6:30 pm
- STATEWIDE
  RI Interconnect
  Cox Ch.13
  Full Ch.49
  Tuesdays—10 am

TEXAS
- AUSTIN Ch.10
  T/W & Grande
  Wednesdays—7 pm
- DALLAS Ch.13-B
  Tuesdays—10:30 pm
- EL PASO COUNTY
  Adelphia Ch.4
  Tuesdays—8 pm
  Thursdays—11 am
- HOUSTON
  Time Warner Ch.17
  Saturdays—9 am
  Mon, 12/29: 4 pm
  Wed, 12/31: 4 pm
  Tue, 1/6: 4 pm
  Wed, 1/14: 8 pm
- KINGWOOD Ch.98
  Kingwood Cablevision
  Saturdays—9 am
  Mon, 12/29: 4 pm
  Wed, 12/31: 4 pm
  Tue, 1/6: 4 pm
  Wed, 1/14: 8 pm
- RICHARDSON
  AT&T Ch.10-A
  Thursdays—6 pm

UTAH
- E.MILLARD
  Precis Ch.10
  Tuesdays—5 pm
- SEVERE/SAN PETE
  Precis Ch.10
  Sundays & Mondays
  6 pm & 9 pm

VERMONT
- GREATER FALLS
  Adelphia Ch.8
  Tuesdays—1 pm

VIRGINIA
- ALBERMARLE
  Adelphia Ch.13
  Fridays—3 pm
- ARLINGTON
  ACT Ch.33
  Mondays—4 pm
  Tuesdays—9 am
- BLACKSBURG
  WTOB Ch.2
  Mondays—6 pm
- CHESTERFIELD
  Comcast Ch.6
  Tuesdays—5 pm
- FAIRFAX—Ch.10
  Tuesdays—12 Noon
  Thursdays—7 pm
- LOUDOUN
  Adelphia Ch. 23/24
  Thursdays—7 pm
- ROANOKE—Ch.19
  Tuesdays—7 pm
  Thursdays—2 pm

WASHINGTON
- KING COUNTY
  AT&T Ch.29/77
  Mondays—7 pm
- KENNEWICK
  Charter Ch.12
  Mondays—12 Noon
  Thursdays—8:30 pm
- PASCO
  Charter Ch.12
  Mondays—12 Noon
  Thursdays—8:30 pm
- RICHLAND
  Charter Ch.12
  Mondays—12 Noon
  Thursdays—8:30 pm
- SPOKANE—Ch.14
  Wednesdays—6 pm
- WENATCHEE
  Charter Ch.98
  Thu: 10 am & 5 pm

WISCONSIN
- MADISON—Ch.4
  Tuesdays—3 PM
  Wednesdays—12 Noon
- MARATHON COUNTY
  Charter Ch.10
  Thursdays—9:30 pm
  Fridays—12 Noon
- SUPERIOR
  Charter Ch.20
  Mondays—7:30 pm
  Wednesdays—11 pm
  Fridays 1 pm

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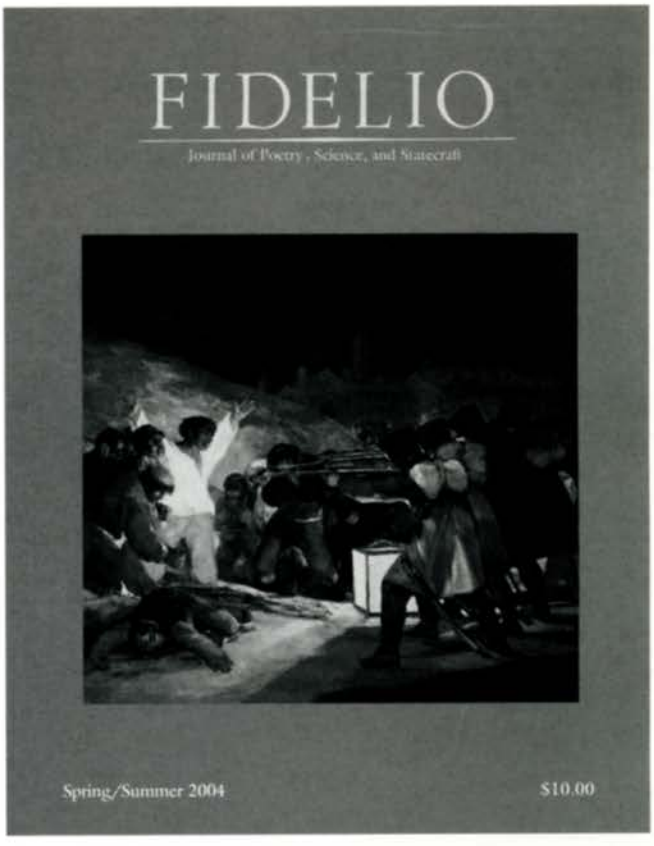

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