



FROM THE WILDERNESS

*A Nonpartisan Non-sectarian MAP from the Here That Is,
Into the Tomorrow of Our Own Making*

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THE DRAFT

(A Special Two-Part Series From FTW - Part I)

Will The U.S. Reopen the Draft?

by
Stan Goff

“The Bush-Rumsfeld war machine is responsible for the bloated budget deficit, which will expand as the voids are filled... inevitably by a draft if we remain on the same course.”

“By New Year’s Day 2004, one service, the Army, had blocked over 40,000 troops from discharge or retirement on their appointed dates. Over 16,000 of them were National Guard. All told, over 70,000 troops have now been affected by Stop-Loss.”

“On January 20th, Lieutenant General James Helmly, chief of the U.S. Army Reserve, told reporters that the current situation is untenable, and that the military is facing a severe retention crisis, because the use of troops, especially Reservists is, in his view, abusive. Addressing troops, he said, ‘We value your service and we’re not going to run this like a doggone flesh farm.’”

“Repeated, long-term deployments will clearly take a toll on spouses and children of our men and women in the military here at home. Military service always entails time away from home, but we think that the active services - and particularly the Army - must find a way to better balance the demands of overseas deployments with the needs of troops’ families back home. Otherwise, we may face a mid-grade retention problem in the coming years that will be devastating to our forces.”

- From a letter to President Bush by Reps. Heather Wilson (R-NM) and Jim Copper (D-TN) and signed by most members of the House Armed Services Committee, including Chairman Duncan Hunter (R-CA) and ranking member Ike Skelton (D-M, reprinted and circulated with a memo from the Project for a New American Century.

(continued on page 3)

From the Wilderness

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FTW Special Series – The Draft, Part II

Nowhere to Run, Nowhere to Hide

By Michael C. Ruppert

To get more troops, the draft will likely be reinstated. The implicit prohibition of "involuntary servitude" under the 13th Amendment to the Constitution has already been ignored many times so few will challenge the constitutionality of the coming draft...

A government that is willing to enslave a portion of its people to fight an unjust war can never be trusted to protect the liberties of its own citizens. The ends can never justify the means, no matter what the Neo-cons say.

The Hon. Ron Paul, (R) TX

Nov. 21, 2003

In the House of Representatives

February 25, 2004 1800 PST (FTW) – **T**he internet is aflame with the growing awareness that a state of perpetual and expanding military conflict is settling in on the planet. Peak Oil and Gas is out of the closet. Resource wars and wars of survival are predicted over and above the continuing quagmire that has depleted U.S. military force readiness in Iraq. As China expands military and economic assistance throughout West Africa in direct competition with the US over dwindling oil reserves, new stories warn of a convenient and impending ecological collapse which will destroy food production and lead to a state of perpetual war.

FORTUNE magazine wrote in a January 26, 2004 feature article titled *The Pentagon's Weather Nightmare*:

As the planet's carrying capacity shrinks, an ancient pattern reemerges: the eruption of desperate, all-out wars over food, water, and energy supplies. As Harvard archeologist Steven LeBlanc has noted, wars over resources were the norm until about three centuries ago. When such conflicts broke out, 25% of a population's adult males usually died. As abrupt climate change hits home, warfare may again come to define human life.

(Continued on pg. 20)

We're not going to reimplement a draft. There is no need for it at all. The disadvantages of using compulsion to bring into the armed forces the men and women needed are notable. The disadvantages to the individuals so brought in are notable. If you think back to when we had the draft, people were brought in; they were paid some fraction of what they could make in the civilian manpower market because they were without choices. Big categories were exempted -- people that were in college, people that were teaching, people that were married. It varied from time to time, but there were all kinds of exemptions. And what was left was sucked into the intake, trained for a period of months, and then went out, adding no value, no advantage, really, to the United States armed services over any sustained period of time, because the churning that took place, it took enormous amount of effort in terms of training, and then they were gone....

-Secretary of Defense Donald Rumsfeld, January 7, 2003

* * *

February 27 2004. 1800 PST (FTW) -- Donald Rumsfeld's remarks above, particularly the one about "adding no value," ignited a firestorm of protest from veterans' organizations last January, but what was the Secretary of Defense really saying? Surely no one is surprised at Rumsfeld's insensitivity to class issues raised by Selective Service. Son of a rich Chicago real estate executive, Rumsfeld is Princeton preppy with a background as an investment banker and the CEO of pharmaceutical leviathan, Searle. Setting aside his mixed metaphors about sucking intakes and added value, and looking past his political boneheadedness, Rumsfeld was pretty clear on this issue. This time Rumsfeld *is* telling the truth. He doesn't want a draft. But the administration may need the draft more than it needs Donald Rumsfeld.

One of Rumsfeld's stand-by rules is "Prune businesses, products, activities, people. Do it annually." Rumsfeld opposes the draft because it is not cost effective. On that count, he is right. According to an MSNBC study, the cost of recruiting just one Marine is \$6,539. His baseline training then costs \$44,887. When he (most troops are still men) goes to war, his gear alone is worth almost \$4,000, and it is exchangeable any time it becomes unserviceable for whatever reason (with the exception of neglect or abuse). His base pay as a Lance Corporal (E-3) is \$1,407 a month, with a raise at two-years service. He receives around \$206 a month in a food allowance, which also increases with time and grade increases, unless he is single and eating in the mess hall, where he will eat more than \$260 worth of food each month. Married troops also qualify for a variable housing allowance that can be (for an E-5 sergeant with three years service) anywhere from \$474 to \$1,276 a month. Each of these troops is also supported by free medical care,

some base housing and facilities, post and Base Exchange systems, schools, and commissaries. Add to these numbers various proficiency pays, parachute or demolition pay and overseas or combat pay.

Rumsfeld has a corporate cost-accounting mentality, and he is a gadget-man. He does not want to make these outlays for a conscript that will take his new skills and check out of the armed forces after two years. When all is said and done, that would mean that each conscript is costing the Department of Defense around a quarter million dollars for a miserly two years of service. His reference to "added value" is metaphorical, since value-added is a concept that applies to profitable ventures, and it is a little disingenuous, because Rumsfeld is almost pathologically enamored of high technology war toys for which he is willing to spend almost unlimited sums. But you can see his point.

The draft is a bad idea. And it's a bad idea for a lot more reasons than cost-accounting. There is a political price to be paid for conscription as well.

Interestingly enough, while Donald Rumsfeld has kicked and screamed to avoid the subject altogether, the most vocal proponent of re-activating Selective Service has been liberal Democratic Congressman Charles Rangel of New York, who began proposing conscription as early as January, 2003.

"I believe that if those calling for war," said Rangel in a New York Times editorial last year, "knew their children were more likely to be required to serve -- and to be placed in harm's way -- there would be more caution and a greater willingness to work with the international community in dealing with Iraq."

The fact that the Defense Department's own imperial Caligula opposes a draft, while one of the few Congressper-

sons to have opposed the current phase of the Energy War is calling for Selective Service re-activation – *in clear anti-war language* – is an unambiguous reflection of the political potency of conscription.

That doesn't mean that re-activation won't happen, or that it won't be done by Republicans.

The Energy War, now concentrated on Iraq, is presenting the Bush administration with a formidable dilemma. The United States military is now bogged down in a quagmire where it appears each day more likely that a military victory is impossible, even as it seems politically impossible for the Bush administration to leave (which they have no intention of doing in any case, or they wouldn't have gone in the first place). Among the myriad reasons for this dilemma is the plain fact that 120,000 troops cannot "pacify" a population the size of Iraq that has no apparent intention of consenting to foreign "pacification." Moreover, the guerrilla resistance in Iraq is creating a steady attrition of troops and materiel, an operational tempo that is unsustainable, and a looming recruitment and retention crisis that threatens the long term health of the armed forces as an institution.

I have said before that by all accounts the preservation of U.S. dominance in the world is ultimately dependent on seizing control of this region. This is not an irrational war. It is an icily *rational* war, given that the alternative is to relinquish control of the world's economic future – which would be disastrous for political elites in the United States, because our entire economy, under their direction, is now a house of cards built on an international treasury-bill standard that forces the rest of the world to give loans to the U.S. that it never intends to pay back. Control of the world's peaking energy supply is absolutely essential for the U.S. state to maintain its economic arm-lock on China and Europe to enforce their continued complicity in this international extortion racket.

The Bush administration has not the slightest intention of ever leaving Iraq.

Given that this is the prime directive, Donald Rumsfeld's accounting and the political risks associated with Selective Service may both have to be overlooked, and in the not-too-distant future.

A little history is in order to show that George W. Bush's administration is not the first, nor will it be the last, to decide in advance what imperial adventure upon which it wants to embark, then go to the working class well for our young people to provide the sweat and blood.

The Selective Training and Service Act of 1940 was signed into law by President Franklin Roosevelt in 1940. While there are certainly marked differences between the Bush administration and the Roosevelt administration, there was one thing they had in common. Each was bent on entering a war that was initially very unpopular. We all know the story of George W. Bush and his Neocon coterie. The story of Roosevelt, however, has been mythologized beyond recognition. In fact, he ordered repeated provocations of Hitler by sinking German ships and violating neutrality with the Lend-Lease Act, but Hitler didn't bite. He finally slapped an oil embargo on Japan, forcing Japan to look to Indonesia for its petroleum needs, which meant neutralizing the American fleet at Pearl Harbor. There is quite credible evidence, in fact, that Roosevelt had foreknowledge of the impending attack and obstructed information to his military commanders that might have stopped it.

Sound familiar?

But George W. Bush's administration is not the equal of the Roosevelt administration with regard to forethought – as opposed to foreknowledge. Colin Powell is arguably the smartest person in the cabinet, yet he is consistently overruled by the likes of Cheney and Rumsfeld. The Bush administration plans for the best-case scenario (We will take Baghdad in two to three days, and we will be welcomed as liberators.), while Roosevelt took the wiser course and planned for the worst – that the war could go on for quite some time and it would require massive inputs of people and war materiel.

Roosevelt implemented the first peacetime draft in American history, using the pretext – not that the United States government was looking for a way to get involved in an unpopular war to take its share of the post-war spoils and build the American imperium – but that "hemispheric security" was at stake. They were protecting places like the Yukon and the Amazon from a European fascist attack.

That's about where the comparison ends, because contrary to all the hype, Saddam Hussein never – even at the height of his power – had the capacity to genuinely menace more territory than Iran, and only ever successfully invaded tiny Kuwait. Adolph Hitler's Reich had the intention and the wherewithal to militarily challenge his fellow European powers, systematically slaughter 6 million Jews, and to inflict around 30 million military and civilian deaths on the Allies, 20 million on the Soviet Union alone, in a grab for power that the old-money imperialists of Great Britain and the United States found intolerable.

The draft remained in effect after the war, because the devastation of World Wars I and II had sapped the strength of European empire, and the United States – having fought

the entire war away from its own territory, and having built a formidable industrial capacity to sustain the war effort, was filling the post-colonial vacuum. The Cold War was inaugurated, and with it the McCarthy-era security state, and for the first time in history, the U.S. was maintaining a huge standing armed force in peacetime that required a draft.

President Lyndon Johnson was running against Arizona Senator Barry Goldwater in the 1964 election, and Goldwater was attacking Johnson for not orchestrating a muscular enough response to the nationalist insurgency in Vietnam that had earlier expelled the French colonial army. Johnson had already ordered an escalation of covert operations against the Vietnamese, and the Navy was conducting both reconnaissance and direct action operations against North Vietnam in the Gulf of Tonkin on August 1st of that year; both violations of international law. The USS Maddox was part of that operation, and on August 2nd a report was released that claimed –falsely as it turned out – that the USS Maddox had been subjected to “an unprovoked North Vietnamese attack” in international waters. The press dutifully reported exactly what the government said, a furor was whipped up, and Congress was stampeded into signing the “Gulf of Tonkin Resolution,” granting authorization to the president “to take all necessary measures to repel any armed attack against the forces of the United States and to prevent further aggression.” A blank check to the President to go to war.

Sound familiar?

This blank check transformed itself into the destruction of the Johnson presidency, the death of over 3 million Southeast Asians, the loss of 58,000 U.S. troops, and the near-destabilization of the U.S. government itself in the wake of the turbulent Civil Rights/Anti-War movement.

It also wracked the military as an institution with low morale, and eventually with a deep institutional crisis, which included fraggings, widespread addiction, routine insubordination, and radical political formations taking shape inside the military. In 1973, as the first step to restructure the military from the ground up, the draft was abandoned and the United States adopted an all-volunteer military force.

Many people have attributed this to the belief that draftees were largely responsible for insurrection in the ranks, but the facts do not support this thesis. Over 60% of the people involved in GI Resistance organizing were those who had voluntarily enlisted and were driven by the wrath that accompanies disillusionment.

In fact, the all-volunteer force was conceptualized as a professionalization of the force, one that would result in higher retention and recruitment rates and that would accompany dramatic changes in the way the military was organized and equipped. Pay and benefits were brought on par with the civilian sector, much of the overt sadism was eliminated from military culture, the quality of the food was drastically improved, and many regulations were relaxed to make off-duty military life more akin to civilians’.

In extricating itself from Vietnam, the United States was also moving the military off center stage in its international relations, and engaging in new forms of financial warfare with allies and enemies alike. It is no accident that in 1971, the U.S. also abandoned the gold standard and conducted a strategic devaluation of its currency in 1973 that wiped out billions in debt to its trading partners. That was also the year that the Nixon administration helped engineer the so-called oil crisis, creating a massive windfall of petrodollar profits for Wall Street and establishing the conditions for the U.S. financial establishment to go into the international loan-sharking business.

In the end, it’s always about oil. Until people figure that out, they’ll continue, as Sydney Shanberg said when Bush the Elder was dropping bombs on Iraqis, to be “the ultimate innocents. We are forever desperate to believe that this time the government is telling us the truth.”

Rumsfeld should add to his list of *Rumsfeld’s Rules*, “You can’t have your cake and eat it too.”

Dick Cheney is occasionally rolled out to speak, and when he does he often says the damndest things. On January 14th, when speaking to the Los Angeles World Affairs Council, he described a decades-long war in which there might be hundreds of thousands of American casualties. Then they re-medicated him and took him back home.

Let’s review the bidding:

- Iraq covers 167,924 square miles.
- Its population is around 29 million, and the majority indicates that it opposes the occupation.
- That’s an average of 173 people per square mile.
- That’s an average of 0.7 US military personnel per square mile, if you accept that 120,000 can be maintained there under the current system. (Fewer than one third of these are actual “trigger-pullers.”)
- These real figures are concentrated in urban areas among frenetic activity in a cultural milieu that American troops do not understand. At this point, the U.S. has utterly lost the battlefield initiative.
- Well over 3,000 troops have already been wounded, 540 killed, and around 7,000 have been evacuated for “non-combat” reasons, *in one year*.

- That means the original force of 130,000 is actually below 120,000.
- If combat units (the actual third that pulls triggers) are taking the brunt of these casualties, which they are, this means the loss ratios are significantly higher, and these units are moving inexorably toward lowered strengths that will render them officially combat ineffective.
- Approximately half of the US military's total ground combat strength is now tied up in Iraq.
- Total deployment time away from home and frequency of deployment has increased dramatically, and there is increasing dependence on older, less-well-trained National Guard and Reserve forces to take up the slack. Rumsfeld has announced that 40% of the military personnel left after the current rotation will be Reservists.
- There are two principle geo-strategic reasons for the occupation: control of petroleum production and establishment of permanent bases in Iraq from which to project military force throughout the region as necessary (These two reasons are interfused.).
- Ergo, the capacity of the U.S. armed forces as currently constituted is insufficient to continue the occupation and to consolidate it enough to maintain politically viable bases as well as regenerate oil production to something approaching former levels.
- Ergo, the inevitable choice will be between abandoning the occupation – which this administration may find politically impossible – or massively increasing the occupation forces – which means massively expanding personnel numbers throughout the armed forces.
- Barring some abrupt change of direction in foreign policy, someone is about to get drafted.

To further contextualize the overstretch of U.S. military forces, we need to look at military operations outside Iraq. There are ongoing large operations of over 4,000 troops in former Yugoslavia and 8,500 in Afghanistan (and more coming in a ramp-up for a Spring offensive), and that the U.S. is maintaining 37,000 troops in Korea and 71,000 in Europe – mostly Germany. But the U.S. is also involved militarily in training the Economic Community of West African States (ECOWAS), with 3rd Special Forces Group – supplemented on a variant basis with Marines – operating in Liberia, Ghana, Uganda, Nigeria, Senegal, Malawi, Ethiopia, and Mali. 1st Special Forces is expanding operations in the Philippines, also using Marines, and maintaining their base in Okinawa. 7th Special Forces is almost running the Colombian military at this point in the civil war there. 10th Special Forces and 5th Special Forces have

been busy in the Republics of Georgia, Azerbaijan, Ukraine, and Kazakhstan.

Of the 480,000 people in the US Army, over 300,000 are now deployed overseas. At the end of last year, almost 200,000 reservists were still activated from a peak of 219,500 last May.

The most prestigious military-intelligence journal in the world, *Jane's Intelligence Digest*, said this in August of last year:

The official view from the Pentagon is that all is going well in Iraq and that the US forces are more than ready to continue the global war against terrorism. And yet, as the army commanders and planners in the Pentagon know only too well, this is a mere diplomatic smokescreen. The reality is that US forces are now severely overstretched and the number of their military commitments worldwide is increasing by the day.

The USA remains the biggest military power in the world, but it is beginning to experience the classic symptoms of imperial fatigue... Twenty-one of the US Army's 33 regular combat brigades are already on active duty in Iraq, Afghanistan, South Korea and the Balkans, amounting to roughly 250,000 fighting men and women. And this does not include a substantial number of US troops regularly stationed in Germany, Britain, Italy and Japan, or smaller contingents now scattered around the world. A traditional calculation assumes that for every soldier deployed on an active mission, two more are required to be kept in reserve, either in order to rotate those in action or to prepare for that rotation. Under this assumption, the USA has already reached its limit today... the cost of occupying and rebuilding Iraq now runs at roughly US\$4bn a month and is rising. More importantly for US military planners, it also costs, on average, the life of one US soldier a day. Furthermore, Washington has already decided that it will make no further cuts in its presence in Europe and cannot extricate itself from Afghanistan. Given the North Korean situation, no cuts in US troops can be expected in Asia either, notwithstanding the planned redeployment of US forces inside South Korea. And, to cap it all, Washington is now certain to deploy troops in Liberia... behind the scenes [Rumsfeld] is facing an increasingly strident chorus of disapproval

from his military commanders.

The Bush-Rumsfeld war machine is responsible for the bloated budget deficit, which will expand as the voids are filled... inevitably by a draft if we remain on the same course.

HOW THE DRAFT WILL WORK

A few things will be the same if the draft comes back and a few things will be different.

A birthday lottery will still be used to select draftees. Every day of the year is dropped into a hopper, and then they are drawn at random. (Republicans might be able to fix this so certain birthdays go to the end of the line. If they can hijack elections, surely they can fix a lottery.) During Vietnam, you were in the primary selection group if you were between 18 and 25 years old. Now the primary group is 20-years-old, then each year thereafter is assigned a lower priority. This does a couple of things. It stops the draft of 18 and 19-year-olds, which will lower anxiety and resistance from families. It also significantly reduces the draft-anxiety period for potential conscripts. Deferments have been tightened, because the college exception used by wealthy families to evade the draft in Vietnam exposed class conflicts. Now, deferments can only last until the end of a semester, and if the draftee passes his 21st birthday in school he will still be drafted if his birthday was selected for conscription during his 20th year. Seniors can be postponed until the end of the academic year, but the same rule pertains, and the lad will be inducted if his number came up. (Women are still exempt from conscription.)

First priority also goes according to a fitness classification, 1-A being the highest. The main classifications are:

- [1-A] - available immediately for military service;
- [1-C] Members of the Armed Forces of the United States, the National Oceanic and Atmospheric Administration or the Public Health Service;
- [1-D-D] Deferment of Certain Members of a Reserve Component or Students Taking Military Training;
- [1-D-E] Exemption of Certain Members of a Reserve Component or Student Taking Military Training;
- [1-O] Conscientious Objector- conscientiously opposed to both types (combatant and non-combatant) of military training and service - fulfills his service obligation as a civilian alternative service worker;

- [1-A-O] Conscientious Objector - conscientiously opposed to training and military service requiring the use of arms - fulfills his service obligation in a noncombatant position within the military;
- [1-O-S] Conscientious Objectors to All Military Service (Separated from Military Service);
- [2-D] Ministerial Students - deferred from military service;
- [3-A] Hardship Deferment - deferred from military service because service would cause hardship upon his family;
- [4-A] Registrant Who Has Completed Military Service;
- [4-A-A] Registrant Who Has Performed Military Service for a Foreign Nation;
- [4-B] Official Deferred by Law;
- [4-C] Alien or Dual National;
- [4-C] Alien or Dual National - sometimes exempt from military service;
- [4-D] Ministers of Religion - exempted from military service;
- [4-T] Treaty Alien;
- [4-G] Registrant Exempted from Service Because of the Death of His Parent or Sibling While Serving in the Armed Forces or Whose Parent or Sibling is in a Captured or Missing in Action Status;
- [4-F] Registrant Not Acceptable for Military Service.

Exemptions, aside from the college postponements above, also include service academies and ROTC.

That is how it will work.

DRAFT BOARDS – THE WRITING ON THE WALL

But just as elections don't take place without county elections boards and their poll workers, conscription won't work without draft boards. That's where we are getting the first indication that while Rumsfeld is railing against the draft, others in this administration are laying the groundwork. Draft boards are being reconstituted, quietly.

In Fall 2003, the Selective Service portion of the Department of Defense website announced the Selective Service Board reconstitution in an appeal for local volunteers.

Then a series of articles raised the alarm, like the Salon.com article that said, "Increasingly, military experts and even some influential members of Congress are suggesting that if Defense Secretary Donald Rumsfeld's prediction of 'a long, hard slog' in Iraq and Afghanistan proves accurate, *the U.S. may have no choice but to consider a draft to fully staff the nation's military in a time of global instability.*" (italics added)

You can look long and hard for the DOD appeal for draft board volunteers now and you won't find it. It was taken down. Fortunately, the memoryhole.com website, which specializes in preserving things the government doesn't want you to see, salvaged it. Readers can see it at: <http://www.thememoryhole.org/mil/draft-boards.htm>.

This was the first call to reconstitute these boards since the draft was abandoned in 1973.

"Draft" is not a word the Bush administration wants to introduce into election year discourse. But if Republican district gerrymandering, Rove-sleaze politics like the current slanders being circulated on the internet against John Kerry by attack-dog front-groups like Vietnam Veterans Against John Kerry, and Diebold voting systems come through... and Bush is re-elected... it's a lame duck administration. That means accountability falls to zero.

THE BIGGEST DIFFERENCE FROM VIETNAM

But before readers start counseling their 19-year-olds to learn French and start drinking Moosehead beer in anticipation of an extended Canadian vacation, they need to review the "Smart Border Declaration" (SBD), signed in December 2001 between the United States and its frosty northern neighbor. It is available at <http://www.canadianembassy.org/border/declaration-en.asp>.

The SBD was designed to "keep terrorists out" of the U.S., but it also serves to keep U.S. citizens in the U.S. with "pre-clearance agreements," "advance passenger notifications," shared databases, and an agreement from Canada to extradite Selective Service scofflaws. Sweden, long a haven for draft evaders with an aptitude for foreign languages, also redesigned its laws to prohibit asylum in 1995.

Moreover, Canada, Mexico and the United States are co-members of a regional military alliance with integrated staffs: Northcom.

In May 2002, The Simons Centre for Peace and Disarmament Studies released a 40-page report called *Canadian armed forces under US command*, authored by Michael Byers. While the report's principle cause of alarm was related to the question of Canadian sovereignty – given that a U.S. commander is always at the helm of Northcom – the implication for the draft and those who might wish to evade it is that an American citizen in Canada to avoid conscription might now be extradited using military law. Though exactly how this might happen is still unclear, since it hasn't happened yet. We need only review the bizarre legal gymnastics

that the Bush administration has employed since 9/11 to maintain a concentration camp in Guantanamo Bay, Cuba, and to summarily declare American citizens "enemy combatants" on flimsy pretexts, then hold them incommunicado for almost two years.

SECRET DRAFT ALREADY OPERATING

While Selective Service hasn't been reinstated yet, there is a draft. Under the Selective Service draft, conscripts who have no prior military service are legally press-ganged into the armed forces. But there is a draft in place now that forces people who have already served their time as volunteers to stay in past their discharge dates. This program is called, in typically homely military diction, Stop-Loss.

On September 14, 2001, three days after the World Trade Center's twin towers crumbled, George W. Bush signed Executive Order 13223, delegating authority to both the Secretary of Transportation and the Secretary of Defense to exercise unprecedented discretion. Within that order, the Defense Secretary was authorized, at his own discretion, to initiate Stop-Loss orders. These orders were implemented last year as the Bush administration's triumphal wine turned to vinegar in its mouth, and Iraq became a grinding, unmanageable.... I can think of no better term... quagmire.

In December 2003, Lieutenant Colonel Karl Reed gave an interview to *Army Times*, in which he plainly declared that had it not been for Stop-Loss, he'd have lost 25% of his unit preparing to depart from Kuwait into Iraq.

"And that means a new 25 percent," Reed said. "I would have had to train them and prepare them to go on the line. Given where we are, it will be a 24-hour combat operation; therefore it's very difficult to bring new folks in and integrate them."

By New Year's Day 2004, one service, the Army, had blocked over 40,000 troops from discharge or retirement on their appointed dates. Over 16,000 of them were National Guard. All told, over 70,000 troops have now been affected by Stop-Loss.

That this was illegal didn't seem to slow down the administration.

Congress sets the ceiling on "military manpower" (It's their term, not mine, *amigas mias*). The current limit for the Army is 482,400. By Army Chief of Staff Peter Schoomaker's own account, the Army is already exceeding that number (due to Stop-Loss) by over 11,000. Using his authority under Executive Order 13223, Secretary Rumsfeld ordered the Army on January 27th to recruit an additional 30,000. Congressional representatives, with a very few exceptions, showed their consistent cowardice against the Bush administration, and declined to challenge the De-

partment of Defense on this unauthorized increase, on the current overage, or about this bald usurpation of Congressional authority.

On January 20th, Lieutenant General James Helmly, chief of the U.S. Army Reserve, told reporters that the current situation is untenable, and that the military is facing a severe retention crisis, because the use of troops, especially Reservists is, in his view, abusive.

Addressing troops, he said, "We value your service and we're not going to run this like a doggone flesh farm."

Lest anyone think that these are the rantings of one disaffected Reserve general and one anti-Bush veteran, let me enclose this memo/letter from Daniel McKivergan, Deputy Director of the *Project for a New American Century*, the most influential think-tank used by the current administration, and the very one from which many on the Bush staff were spawned:

December 12, 2003

MEMORANDUM TO: OPINION LEADERS

FROM: DANIEL McKIVERGAN, Deputy Director

SUBJECT: Congress Calls For Larger Military

I wanted to draw your attention to a bi-partisan letter recently sent to President Bush that is cited in a front-page USA Today article, "Push is on for Larger Military: Congress Moves After Years of Downsizing." The letter, which was circulated to colleagues by Reps. Heather Wilson (R-NM) and Jim Cooper (D-TN) and signed by most members of the House Armed Services Committee, including Chairman Duncan Hunter (R-CA) and ranking member Ike Skelton (D-MO), warns that the size of the current force is "predicated upon an early-1990s strategy that did not foresee the tempo of today's operations or the long-term war on terrorism."

The letter urges the President to "take the necessary steps to increase the end strength" of the Armed Forces by adding up to two more Army combat divisions. The letter follows:

November 21, 2003

President George W. Bush

The White House

1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President

We are concerned that our Armed Forces are over-extended and that we are relying too heavily upon members of the Guard and Reserve in the continuing war on terrorism.

You will be making decisions over the coming months that will be reflected in your FY05 budget request to the Congress. We believe that we must significantly increase the number of people on active duty in the military and revise the missions given to the National Guard and Reserve during the up-coming budget year. We encourage you to incorporate proposals to address these challenges in your budget. Making these changes would be met with broad, bi-partisan support in the Congress.

The operational tempo required to maintain forward-deployed forces in Iraq, Afghanistan, the Balkans, Korea, and elsewhere is unprecedented. Not since the Vietnam War has the U.S. Army had such a large fraction of its active-duty forces deployed.

While we understand that the administration will seek to reduce U.S. forces in Iraq as Iraqi security forces are trained, we must expect that the Iraq deployment will continue at substantial levels for a considerable time. Moreover, the war on terrorism is not a crisis for which the military can surge and then recover. This will be a lengthy war that will define entire careers. We must size and structure our forces to prevail over the long haul.

We are also concerned about the mix of Active, Reserve and Guard units needed to sustain the war on terrorism. We are asking more from our reservist citizen-soldiers than ever before. While they have served admirably, we believe that we need to review and adjust the missions and specialties in the reserve components so that we can protect the homeland and prevail against terrorists without over-reliance on citizen soldiers for long periods of time.

The men and women of our Guard and Reserve can and should be called upon to assist our country in times of crisis on a temporary basis. Many of the units currently serving in Iraq will have served for nearly 15 months, in some cases longer, by the time

their tours are finished. When they come home, the nature of this war is such that they know they are quite likely to be called up again sometime in the near future.

Mr. President, every day we read stories about the potential impending loss we could suffer to our Guard and Reserve forces if the current situation is not fixed. The Army Guard is not going to meet its recruitment targets this year. Many of us have served, currently serve or have family and personal friends that serve in the Guard and Reserve. All of us have constituents who serve. Unless these burdens are reduced we may find ourselves in the midst of a recruiting and retention crisis in the reserve components. We need to send a clear message in the coming budget to members of the Guard and Reserve that help is on the way.

Repeated, long-term deployments will clearly take a toll on spouses and children of our men and women in the military here at home. Military service always entails time away from home, but we think that the active services - and particularly the Army - must find a way to better balance the demands of overseas deployments with the needs of troops' families back home. Otherwise, we may face a mid-grade retention problem in the coming years that will be devastating to our forces.

We are particularly concerned about the size of the active duty Army. While we will certainly work with you and your administration, we feel that your budget should include a build up to two more combat divisions so that we can reduce the pressure on the reserve components and sustain the war on terrorism for the long term without losing expertise that will "hollow-out" the Army.

The size of the current Army - and the Army budgets that pay for it - are predicated upon an early-1990s strategy that did not foresee the tempo of today's operations or the long-term war on global terrorism. During the decade of the 1990s, the Army shrank from 18 divisions to 10. The Cold War

was over and the war on terrorism had not yet begun. We must now make the decisions needed to structure our forces so that we prevail in this new war that is likely to continue for some time. Increasing the size of the force is no panacea for meeting all of the challenges we face, but we believe it is a critical element of any plan to address the needs of our nation's security.

Mr. President, our military needs help now. We ask that you show strong leadership and take the necessary steps to increase the end strength of our Armed Forces and adjust the mix of active and reserve component forces in the upcoming budget year.

We stand with you ready to confront any and all challenges to our great nation.

The dilemma that will face any administration after the 2004 election will be whether to stay on in Iraq, first, and if that dilemma is resolved with a decision in the affirmative, then the next dilemma is the draft. Can any U.S. administration conduct long-term counter-insurgency with the political baggage of conscription? And can they do it physically *without* conscription?

There is currently a brouhaha developing around two bills wending their way through Congress, S-89 and HR-163 (introduced by *Democrats* Hollings and Rangel, last year), that would crank up the draft apparatus. Neither are gaining any political traction, and neither are particularly newsworthy, given that Hollings has been a lifelong supporter of a draft combined with national service, and Rangel has his crackpot notion that a draft will stop the war. The administration – not surprisingly – is pushing neither of these bills.

GETTING SELECTIVE SERVICE READY AND RESISTOR OPTIONS

Many also speculate that the DOD ad to fill draft board positions may have as much to do with the 20-year terms of members, who came on during the Carter administration, expiring, as with any plans for reinstitution of the draft... but the speed with which the DOD ad was pulled is either an indication of guile or fear of political fallout.

There has been no increase in the Selective Service budget, though this is not an indicator in either direction, given that the whole apparatus could be brought back on line with a simple interagency transfer of funds or another drop in the ocean of the Bush budget deficit.

It always behooves us not be alarmist. My main point is that there is likely to come a time when there will be a simple mathematical choice – barring unseen international de-

velopments, which are always a factor – between continuing the occupation of Iraq or reinstating the draft.

For those who find these figures at least worrisome, and who want to understand in advance what some of the options are, two of the principle *legal* ways to refuse military service are hardship and conscientious objection.

Information on these options is available at the GI Rights Hotline at <http://girights.objector.org/>.

There are no “draft evaders,” yet. The only obligation 18-year-olds have is to *register* for the draft and failure to do so has not been prosecuted or pursued for years. BUT... those who do *not* register, and who later try to obtain student loans, or other governmental The best guarantee against the draft is to stop the occupation of Iraq.

benefits, might very well be denied those benefits under the Solomon Amendments that were passed in 1996 by Congress to deny educational assistance to selective service scofflaws. Our recommendation to 18-year-olds is to register, and then fight the actual draft, legally, when it comes. That means you need to begin NOW by documenting your opposition on hardship and-or conscientious grounds. You're your documentation with your registration, and make copies of it for your own records. The government destroys the registration form, once they enter the information into their database, so the only record of opposition will be the one that the registrant kept, himself. This advice is directly from Marti Hiken of the National Lawyers Guild Military Law Task Force.

[For Information on treaty arrangements in foreign countries please see FTW's companion draft article *Nowhere to Run, Nowhere to Hide.*]

Stan Goff retired as a Master Sergeant from US Army Special Forces. During his career he served in a number of combat assignments and also as an instructor of Military Science at West Point. Stan Goff's new book is out from Soft Skull Press www.softskull.com, "Full Spectrum Disorder – The Military in the New American Century." Read reviews at Stan's web page <http://home.igc.org/~sherrynstan/>.

OIL SHORTAGES LOOK CERTAIN BY 2007 LNG TO THE RESCUE?

- **Gas Shortages Are Most Pressing, But Economics Shows No Easy Answers**
- **Why The Oil Markets May See Price Dips Before The Collapse**
- **And Why This Will Make the Outcomes Worse**

by
Dale Allen Pfeiffer

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[Suddenly, Peak Oil and Gas issues are everywhere. It's as if the light bulb is going on a day late and a tank or two short. ABC News, The Petroleum Review, BBC, Wall Street and many other "establishment" voices are beginning to sound the alarm. For North America, natural gas shortages are here now and can only worsen. The oil production numbers are bearing out that by 2007 demand will have permanently exceeded supply and production capacity. In both cases the outlook is not good. For natural gas the only solution is the importation of liquefied natural gas or LNG. The costs, dangers, political opposition and international competition for dwindling supplies create a complex calculus that will be exceptionally difficult to solve.

The picture for oil is worsened by the way the oil markets operate. Oil prices are driven only by very short-term criteria, essentially how much oil is in the pipeline for the next few months. The last so-called mega fields – really only a few months supply in the global picture -- are scheduled to come on line in 2005 creating a short term glut even as the industry acknowledges that the cheap oil is gone forever. The result will be that the capital needed to build infrastructure or switch to alternatives will not be available as the last crucial window of opportunity for its use begins to close. Without that timely capital, there will be no brakes when petroleum civilization hits the wall.

Dale Allen Pfeiffer deconstructs the market forces as mankind stands on the brink of a new dark age. – MCRJ

February 19, 2004, 1800 PST (FTW) -- In previous articles, we drew a picture of North American natural gas (NG) poised to fall off the cliff of declining production. In order to maintain a healthy economy, our natural gas consumption – primarily for the generation of electricity – must grow by 35 to 50% before the end of the decade. The North American NG supply is in decline and has already fallen behind demand. Homes must have heat in the winter. In the US, 60% of all homes are heated by NG, and that ratio is increasing, as over 70% of new homes require NG for heating.¹ Natural gas is the intended fuel of virtually all new power generation projects within the US. By 2002, 90% of all new power plants were gas-fired.² All of the industrial users with the ability to move production or shift to other fuel sources have done so. There is little room left for fuel switching. How then to make up the shortfall?

Opening up pipelines from Alaska (ANWR) and Northern Canada will take several years and will not make up for the deficit between traditional production and demand. It is more than likely that any production carried along a Canadian pipeline would be diverted to Canadian tar sands refining, which involves the use of high-pressure steam (heated by gas) to wash heavy oil from sand. Opening sanctioned areas of the Rockies and the Outer Continental Shelf would help, though NG reserves in both areas are likely to deplete quickly. Geologist Walter Youngquist and electrical engineer Richard Duncan pointed out in a recent study that new NG wells are showing decline rates as high as 80% in the first year. Over the past decade, the amount of gas found per foot drilled has declined by 50%.³

In examining the situation and looking over the optional sources of NG to make up the shortfall, it becomes clear that the US must go overseas for its NG needs. Now it is time to look at Liquefied Natural Gas (LNG) and determine if LNG imports can make up the difference between US NG demand and diminishing US NG production.

CURRENT SITUATION

US LNG imports are growing. They have doubled in the last year alone. At present, LNG only accounts for 2% of our natural gas consumption.⁴ Current US consumption exceeds 80 trillion cubic feet (Tcf). In 2003 we imported 540 billion cubic feet (Bcf) of LNG, just a drop in the bucket compared to our total NG consumption. By the end of this year (2004), the US is hoping to add another 1 Bcf/day of LNG imports, and another 2 Bcf/day by the end of 2006.

The US is currently lacking in LNG infrastructure. There are currently only 4 LNG offloading facilities in the country, located in Georgia, Louisiana, Maryland and Massachusetts. There has been a flood of new proposals for receiving and regasification terminals, but it will be several years before (if) they are all built, and it is likely that a significant portion of the projects will fail somewhere along the way due to local opposition. US demand is expected to grow about 10 Bcf/day to a total of 77 Bcf/day through the course of this decade.⁵

The world's largest importers of LNG are, in descending order, Japan, Korea, Spain and Taiwan, with the US holding fifth place.⁶ China is expected to shoulder its way to the top of this list in the next few years. Top suppliers of LNG are, at present, Egypt, Algeria, Norway, Trinidad and Nigeria. Indonesia and Australia are of growing importance as suppliers, as is Russia. And the Middle East holds a great deal of natural gas along with all of its oil. Venezuela hopes to become an LNG producer as well, though the US government is at odds with Venezuelan President Hugo Chavez and the state owned oil company, Petroleos de Venezuela S.A. (PdVSA).

At the turn of the century, there were only 114 LNG tankers in the world, and only 8 of those were available for spot market trade.⁷ Today, the current global fleet of LNG tankers numbers 140, with a capacity of 14.5 Bcf/day,⁸ but it is doubtful that there has been much change in the percentage of tankers which are not locked into long term trade agreements. One credible researcher has put the cost of an LNG tanker at around \$150 million and estimated that more than a hundred would be needed to meet US needs. Construction of one LNG tanker takes three years.⁹

MEETING FUTURE DEMAND

In a December 17th speech delivered at a summit of energy ministers from producing countries and private sector representatives, US Energy Czar Spencer Abraham stated that from 2000 to 2020, NG consumption is projected to double, from 84 Trillion cubic feet per year (Tcf/year) to 162 TCF/year. He noted that demand for natural gas is growing by nearly 5.5 % per year.¹⁰ By reporting world demand only, Secretary Abraham skirted around the North American NG situation and the entire reason for his speech. In the US, demand is expected to grow rapidly over the next few years while production declines. By the year 2010, the gap between what is needed and conventional sources will be 6 Tcf/year, or 16 Bcf/day. It will require 30 to 40 new LNG offloading and regasification facilities by 2010 to fill this gap.¹¹ According to a report from analysts at Raymond James, the current tanker fleet will have to double within the next five years.¹²

That means the US will require a fleet equal to the current world fleet, 114 tankers just to service our needs. LNG tankers are three times as expensive as a large crude oil carrier, averaging \$155 million per ship.¹³ So the tanker fleet alone will require an investment of \$13 billion and take decades. Add to this the expense of building over 30 new LNG projects and the associated pipelines, and the necessary investment quickly climbs over \$100 billion.

Shell, Exxon, BP and Sempra Energy are among the corporations proposing new LNG facilities. New LNG Terminals have been proposed for the states of California, Texas, Alabama and Florida.¹⁴ The proposed terminals have many hurdles to jump before they will become reality. First the proposed terminals have to meet all the standards and rules of the U.S. Federal Energy Regulatory Agency, a sprawling and formidable bureaucracy. And they must overcome siting challenges from residents and environmental groups. It is likely that many of the proposed terminals will have to be moved to unobjectionable locations either off the coast or in neighboring countries (as in the case of the terminal proposed for Baja, California which will provide NG to that state).

Throughout the siting and application process, as well as during construction, companies must make considerable capital outlays, providing the necessary ongoing financing for several years before there is any hope of seeing a return on their investment. The NG market fluctuates a great deal with the seasons, caus-

ing prices to rise and drop. For these LNG projects to proceed, gas prices must stay well above \$4 per thousand cubic feet. Prices are currently far above that mark, but will they stay that high consistently for the next several years?

LNG SUPPLY – IS THERE ENOUGH?

Supposing that 30 new terminals are built, along with a fleet of 114 tankers just to meet US demand, where will we purchase the LNG to be transported and processed by this new infrastructure? Where will we obtain the 16 Bcf/day of LNG to fill the gap between domestic supply and demand by 2010? LNG exporting countries would have to make major investments in additional production in order to meet growing US demand. The LNG market is bound up in long term agreements, just as most of the tankers being built today are already locked into long term contracts.

LNG trade is supposed to increase by 35% from 2000 to 2005, yet all of that increased production is already spoken for by Asia. Even if that entire increase were shipping to the US, it wouldn't come close to meeting US demand. The struggle for LNG market share will bring the US into direct competition with China. In fact, it already has.

Last October, after negotiations which included visits from President Bush and Chinese President Hu Jintao, Australia awarded a new \$30 billion, 25 year LNG contract to China. This on top of a \$25 billion LNG deal struck a year ago between Australia and China.¹⁵ The US, with its weak dollar and anemic economy, must compete with a yuan backed by gold, and a growing economy which is powerful simply because of its size.

The LNG market is very tight, with little spare capacity. The high cost of LNG liquefaction and transport prevents the industry from developing capacity beyond what is contracted. And so, in order to expand imports, the US must either urge LNG exporters to increase production, develop new production elsewhere, or *take* LNG which was formerly promised elsewhere.

The US is working on a project with Russia to bring a 2 year supply of LNG from Russia's Far East to California. But most of Russia's production is already promised to Europe and Asia.

WE'VE GOT OUR LNG SITES TRAINED ON YOU

Look for the US to help build an LNG industry in Africa, particularly Nigeria. The west coast of Africa would be much more attractive to the US than would Middle Eastern sources because the shipping route is shorter and more direct. Around 124 Tcf of natural gas have been discovered in Nigeria, making it the 9th largest reserve in the world.¹⁶ Cur-

“By the year 2010, the gap between what is needed and conventional sources will be 6 Tcf/year, or 16 Bcf/day.”

rently, however, Nigeria flares off 75% of its natural gas due to lack of local market and infrastructure. Nigeria alone is said to account for 12.5% of the world's gas flare.¹⁷ Nigeria is supposed to put an official end to the practice of gas flaring this year (2004), but the deadline has already been moved back once.

Nigerian production is controlled by NNCP (a state oil firm), working mostly with Shell, TotalFinaElf and Agip. Current Nigerian processing capacity is 383 Bcf/year, much of that being shipped to Europe. By 2005, new projects should increase that capacity by an additional 363.5 Bcf/year.¹⁸ Bitter civil unrest has closed down production in Nigeria several times in the past year. Given the growing importance of a stable supply of LNG imports to the US, it would not be surprising to see the US take an interest in pacifying the Nigerian population. US military presence in the region has been increasing with the gift of six US warships to the Nigerian Navy,¹⁹ while NATO has announced an increased focus on West Africa.²⁰

CORRUPTION AS USUAL

Right now, in fact, the Nigerian LNG industry is the source of a scandal involving Halliburton's conduct during the period of Dick Cheney's presidency of that company. It seems Halliburton subsidiary Kellogg, Brown & Root is accused of paying Nigerian government officials \$180 million in bribes for construction contracts to LNG projects. Investigations are ongoing in Nigeria and France, and the US Justice Department has begun to probe into the allegations. It is possible that embezzlement charges could be filed against Cheney in Paris.²¹

Currently Trinidad and Tobago in the Caribbean are the largest suppliers of LNG to the US. This area of the Caribbean, off the coast of Venezuela, holds about 30 Tcf of NG reserves. Production has doubled over the past 10 years, to 520 Thousand cubic feet per year (Gcf/year). There are plans to increase production to 1.3 Tcf/year, but this will take time.²² A lot of ammonia and other chemical production has moved to Trinidad, which exports these products back to the US. And so diverting too much of their NG production into LNG will harm the chemical industry there.

Geologically speaking, Trinidad lies on a northern extension of the fossil fuel rich East Venezuelan basin. The islands lie within close proximity to Venezuela and have been associated with that country since explorers used the islands as a base from which to venture into the continent. It seems that whenever you focus upon the islands, you must ultimately turn your attention to the mainland.

Venezuela has 148 Tcf of proven reserves. Currently 60% of its NG production is either re-injected or flared off.²³ The Venezuelan state oil company, PdVSA, wants to develop LNG production for export to the US. However, the current regime in the US is vehemently opposed to Venezuelan President Chavez. President Chavez has asked for more royalties from fossil fuel sales so that he can use the money to fight the chronic poverty of Venezuela. The oil majors are averse to sharing more of the oil profits.

There has been one overt coup attempt and at least two more subtle attempts to depose the Chavez government. So far President Chavez and the people of Venezuela have maneuvered around each threat with alacrity. It is very plain that the CIA is aiding these destabilization efforts and that the effort has the full approval of the White House. And it is certain that LNG concerns are now adding to the US desire to topple Chavez.

More such efforts can be expected, possibly as soon as this spring. Venezuela, according to US political thinking, is simply too close and too important for the US to leave it in the hands of Chavez—or the hands of the Venezuelan people, for that matter.

THE OUTLOOK

Significant LNG production will not begin to come online before 2007 at the earliest. Until then, we hope for mild winters and rely on our own declining NG production. But the big question is: will enough LNG production be available by 2010 to fill the projected gap between North American demand and North American production? It is doubtful that production will grow enough to meet the demands of both the US and China, much less the rest of the world.

As witnessed by the summit at which US Energy Secretary Spence Abraham spoke, the US is trying to organize global LNG trade under its watchful eye. However, the magnitude of Chinese demand will speak with its own voice and producing countries will have to listen. It is doubtful that LNG capacity will be able to meet US demand by 2010, much less global demand. Somebody will have to go lacking.

Mild weather in North America over the next few years might be a blessing in the short term for NG supply and prices. But if prices relax below \$4/Gcf for any length of time, many of these LNG projects would be put on hold or canceled altogether. So the best case scenario for the short term will make things worse in the long run.

PART II -- OIL SHORTAGES AFTER 2007

It appears that the year 2007 will be important for oil as well as natural gas. A new study published in *Petroleum Review* suggests that production might not be able to keep up with demand by 2007.²⁴ The study is a survey of mega projects (those with reserves of over 500 million barrels (Mb)) and

the potential to produce over 100,000 barrels per day (Gbpd) of oil). Mega projects are important not only because they provide the bulk of world oil production, but also because they have a better net energy profile than smaller projects, and they provide a more substantial profit than smaller projects. Bear in mind that the planet consumes a billion barrels of oil (or two mega fields) every eleven and one half days.

The discovery rate for mega projects has dwindled to almost nothing. This can be seen in the data for the last few years. In 2000, there were 16 discoveries of over 500 Mb; in 2001 there were only 8 new discoveries, and in 2002 there were only 3 such discoveries.²⁵ From first discovery to first production generally takes about 6 years. If the new project can make use of existing infrastructure, then the start up time might be cut to 4 years.

This past year (2003), 7 new mega projects were brought on stream. 2004 expects to see another 11 projects start producing. 2005 will be the peak year for bringing new projects on stream, with 18 new projects expected to be brought on stream in that year. In 2006, the pace drops back to 11 new projects. But in 2007 there are only 3 new projects scheduled to begin production, followed by 3 more in 2008. There are no new projects on track for 2009 or 2010.²⁶ And any new mega project sanctioned now could not possibly come on stream any sooner than 2008.

The study points out that currently about a third of the world's oil production comes from declining fields, with a likely overall decline rate of about 4%. As a result, global production capacity is contracting by over 1 million barrels per day (Mbpd) each year.²⁷ New production is the only thing offsetting this decline.

By 2007, production capacity will have declined by 3-4mn b/d. Yet this decline will be offset by 8mn b/d of new capacity drawn from the many new projects expected to come on stream over the next few years.²⁸ This leaves a surplus of 4mn b/d in spare capacity. Yet global demand is growing by over 1 Mbpd each year.²⁹ So 3 years of demand growth will reduce our spare capacity to 1mn b/d by the start of 2007. As very little new capacity is set to come on stream in 2007, that remaining 1 Mbpd spare capacity will likely disappear before 2008.

The upshot of all this is that the oil supply appears robust until 2007. With so much new production coming on stream, there may even be periods of price weakness. However, it is likely that we will begin suffering oil shortages after 2007, especially if anything happens to disrupt a portion of the production. If new projects are not sanctioned to start up by 2008, then by the end of that year we are likely to see shortages without any cause other than rising demand.

FINDING 10 NEW NORTH SEA FIELDS... SOMEWHERE

By 2015, global oil demand is expected to increase by over two-thirds, that is 60 Mbpd beyond current global consumption of 75 Mbpd. To meet that demand we will have to find the equivalent of 10 new North Sea oil fields within a decade.³⁰ Yet we are hard pressed to discover even another mega-sized field, let alone one reserve equaling the size of the North Sea deposits which are now in serious decline.

We cannot go on ignoring these problems for much longer. By 2007, all of us will be affected by the North American NG shortage. And not very long after 2007, we will begin experiencing the first global energy shortages. To quote former British environmental minister Michael Meacher, we are facing... "the sharpest and perhaps the most violent dislocation (of society) in recent history."³¹

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WHY I JOINED THE CARLYLE GROUP AND OTHER REVELATIONS FROM FORMER SEC CHAIR ARTHUR LEVITT, JR.

by

Suzan Mazur

(Special to *From The Wilderness*)

[FTW's regular readers will recognize many of the names mentioned by former SEC Chair Arthur Levitt. They will remember that in 2001, just months before September 11th, FTW decried the purchase of Mexico's largest drug money laundering bank, Banamex, by Citigroup under then CEO Sandy Weill. They will remember our early post-9/11 stories focusing on the Carlyle Group and its insidious insider connections, as well as the fact that the bin Laden family were investors, and that Osama's brother had been attending

a Carlyle meeting just blocks from the White House on that fateful day.

The point is that in the financial world Arthur Levitt is regarded as the clean, no-nonsense SEC boss. As the accounting scandals of 2002 destroyed hundreds of billions of dollars in shareholder equity, much of it in pension funds, Washington and New York insiders lamented, "if only Arthur were here." Now that those scandals have faded from view and contemporary memory Arthur Levitt, the icon, cynically and disingenuously discloses his posi-

tions on a wide variety of subjects. We see him now not as a protector of integrity but as a man who is cut from a mold similar to that of one of his predecessors at the SEC, William Casey. The same William Casey who was Ronald Reagan's CIA director and who masterminded an explosion of CIA-shepherded drugs into

the bloodstreams of America's children and into Wall Street's stocks, bonds and bank accounts.

FTW welcomes veteran international journalist Suzan Mazur to our pages with her elegantly understated sense of outrage. – MCR]

February 20, 2004, 1800 PST (FTW) -- **F**ormer SEC chair Arthur "squeaky clean" Levitt in recent "unprepared" comments to an investors board meeting in Pasadena defended his decision to join The Carlyle Group as senior adviser after leaving the SEC in 2001, saying further that he'd been a consultant to Carlyle before President Clinton appointed him securities chief in 1993. America's longest serving SEC chair also admitted he was "taken by total and absolute surprise" by what he termed the "greatest threat to our markets" -- the mutual funds scandal. He blamed his misplaced "prepared" speech on a possible Republican saboteur, threw mud at Joe Lieberman and Congress, did not spare Martha Stewart, and anointed New York Attorney General Eliot Spitzer to sainthood.

Levitt also confessed that he first got his business feet wet selling cattle for five years in Kansas (proclaiming himself an animal rights champion now) and after that he opened a brokerage business with former Citicorp CEO Sandy Weill. Since leaving the SEC, Levitt has also joined the board of U.S. Investigations Services (USIS) which gathers data on all federal job applicants, maintains security clearance files on all civilian employees and – as a private company – operates deep underground in a U.S. government facility near Boyers, Pennsylvania as a part of what has come to be known as "The Shadow Government".

Excerpts of Levitt's off-the-cuff comments and responses to questions from the board of the Los Angeles County Employees Retirement Association (which has \$93 million in funds with Carlyle, an investment many at LACERA oppose for ethical reasons) follow.

WHY I JOINED CARLYLE

The Carlyle Group is a private equity group. It's a group that I was a consultant for before I went to Washington. I knew David Rubenstein, who I understand has been out here to talk to this board. And I knew Frank Carlucci because he served on the board of the American Stock Exchange with me. And I liked them. And I trusted them. When I went to Washington, I resigned from the board.

They've become the largest private equity group in the world today managing some \$14 billion of funds. They had been accused in the press of having funds that were provided by Middle Eastern interests. And they were accused of investing in companies which were defense companies that provided various kinds of weapons.

And indeed a minuscule part of their \$14 billion -- less than \$100 million -- came from the Middle East. And they have made a number of very successful investments in the defense industry. But much more in real estate. Much more in agriculture. Much more in financial services than in the defense business.

To the best of my knowledge they have never been sued. To the best of my knowledge they have never been the subject of any SEC investigation or action [Carlyle purchases of privately-held companies are not subject to SEC regulation.]

I am, along with James Baker -- the former Secretary of State, and former Prime Minister [John] Major of the UK [George H.W. Bush has resigned from Carlyle since September 11, 2001], an advisor to Carlyle. And I'm proud of that association and have no reason to feel embarrassed by it. And their results have been -

- I think you would be told -- their results are probably the highest of any private equity firm in America.

MUTUAL FUNDS SCANDAL

*And probably the greatest damage to our markets in my judgment -- the greatest threat to our markets in recent years has been the scandal that appeared in the mutual fund market. I was taken by total surprise. Total and absolute surprise. From my years at the SEC, I felt that mutual funds of America were really a part of a system that was fairly regulated and really cared for investor interest. I'm not sure **when** the problems developed [emphasis added]. But I suspect it was part of the overall hype of the runaway market that caused so many of these aberrations...*

The average fee paid to a director of a mutual fund in America today is \$242,000. How willing is that director to challenge the people who put him or her on the board? Well, I think what's changed in the boardroom is not a rule or a regulation but it's been humiliation and embarrassment. Nobody wants to see themselves appear on the business page of the Wall Street Journal or the Los Angeles Times...

You can look at the statements that are going to come out and -- believe me -- the SEC is coming out with new disclosure statements on mutual funds..."

ELIOT SPITZER

The SEC brought on average 400 cases a year during my eight years there -- which is a fraction of a number of instances of corporate fraud in America. The SEC has no criminal power. They have to work with the Justice Department to bring criminal actions. And most US Attorneys are too preoccupied with drug cases or physical violence to concern themselves with securities fraud. But more and more of them have come to an understanding of what securities fraud is. And that's why I said before that the enforcement efforts of the SEC must be supplemented by enforcement actions of the stock exchanges and private rights of actions.

The SEC was severely strapped for resources during my eight years. Congress consistently cut back on our budget requests. Now they have twice the budget they had before and that money is going into enforcement.

I think that Eliot Spitzer has performed a vast public service. He has constructively used a little-used law called the Martin Act in New York State to bring cases that the SEC would have taken several years to bring, because in several respects the federal laws were not as easy to work with as the New York State law was with the Martin Act. And for that reason I feel that the Eliot Spitzers of this country should be allowed to work with federal regulators in order to bring actions that may have escaped me. . .

And I think the future protection of investors you quite correctly point out is very largely a function of enforcement. Also a function of private rights of action. There's a Congressman who comes from Orange County named Chris Cox who's trying very hard to diminish the ability of individuals to sue. I don't support his view of the world in that regard.

JOE LIEBERMAN, CONGRESS & EXECUTIVE COMPENSATION ISSUE

Stock options are related to a much larger issue in America -- the issue of executive compensation. Rather than paying executives obscenely high salaries, which somehow or other we're doing anyway, somehow the idea of giving out stock options became the vogue in the period of the 90s when new high-tech companies were formed. Lots and lots of stock options were granted. Every option that is granted diminishes the value of the stock, the common stock that others may own. And we waged a strong campaign by the independent accounting standard board to account for those stock options appropriately.

That was fought tooth and nail by the Congress. Senator Lieberman running for the Democratic nomination for President of the United States led a coalition in the Senate which voted with only two exceptions to try to overrule the independent standard setter on this issue. Anytime we had a question, a rulemaking that was intended to protect investors, I would receive a call from Congress to appear before a Congressional committee and justify that action.

THE MARKETS

We have the New York Stock Exchange scandal of enormous consequence...

[T]he SEC brought an action against NASDAQ while I was there. Brought an action against the New York Stock Exchange. The Philadelphia. The Chicago. Because self regulation works up to a point. But every few years the oversight process has got to work and actions have to be brought holding them to task.

Now what I mean by that is. The New York Stock Exchange or the NASDAQ market place or the Pacific Stock Exchange would say to you that their principal concern is the investor. That's poppycock. That's nonsense. It's laughable. Their principal concern is their members' interests. And after that comes the firms. The Merrill Lynchs. The Citicorps. That bring them business. And after that -- far after that -- come investors' interests."

MARTHA STEWART

My feelings about this are -- if Martha Stewart lied, and I believe she did, she should be treated no differently than anybody else who violates our securities laws. She shouldn't be punished for it because she's Martha Stewart. Nor should she be given a pass. My own feeling was that if she had settled this case, she probably would not have gone to jail. If a jury convicts her, I think she probably will go to jail. And I think it's a question of -- do they have the evidence not that she traded on inside information. But that she lied about it.

And I question there always is a tendency for prosecutors to not give a pass to a high profile kind of case because that's the way they send a message to the rest of America. They don't have the resources to look at every transaction. And only by getting public attention to a practice that is pretty general are they able to drive home the importance of not lying about your security transactions."

-- Suzan Mazur's previous coverage of Carlyle appeared in Sam Smith's Progressive Review (How Bush Got Bounced From Carlyle Board - www.prorev.com) and was subsequently picked up by Salon.com, Democracy Now! and Pacifica Radio, UPI, Washington Times and the British press -- Guardian and Telegraph. Mazur is a Middle East and South Asia specialist. Her reports have appeared in the The Economist, The Financial Times, Forbes, Newsday, Philadelphia Inquirer, and on PBS, CBC and MBC. She has been a guest on McLaughlin, Charlie Rose, and Fox television (including O'Reilly, who pulled their one-on-one segment on polygamy

The same Pentagon report which sparked the FOR-TUNE article soon prompted another major story in Britain's *The Observer* which labeled the report as "Secret". After describing apocalyptic climate change triggered by global warming and the collapse of the Gulf Stream an important observation was buried deep in the text.

By 2020 'catastrophic' shortages of water and energy supply will become increasingly harder to overcome, plunging the planet into war.

To the eye of any experienced journalist this Pentagon report was leaked deliberately on both sides of the Atlantic. Why? Because a military draft is as inevitable as are the effects of Peak Oil. As described by Stan Goff in Part I of this series, the U.S. military is already enforcing a form of draft through the issuance of stop-loss orders holding not only Guard and reserve personnel but regular military long past their preset rotations home or out of combat. Even without an apocalypse, there's going to have to be a draft.

But resistance in the U.S. will be mighty. In August of 2000, long before 9/11, in a feature article titled *When the Children of the Bull Market Begin to Die*, FTW observed that protracted military conflict was coming and that it would send a long-needed shock throughout the American people. In January of 2001, in our story *EMPIRE*, we warned that the Bush Cabinet was a war cabinet and that it appeared to be preparing for a massive global conflict.

It has arrived.

According to Houghton Mifflin, during the Vietnam era between 30,000 and 50,000 young American men fled the United States, mostly to Canada and Britain to avoid the draft. The FBI investigated and secured 22,500 indictments for draft evasion during a period when it had overseas offices in only a dozen or so nations.

The laws, the treaties and the technologies have changed drastically since then. When the draft comes, most likely in the spring or summer of 2005, it will be much more difficult for young American men to run and hide rather than join an imperial military force which is suffering significant casualty rates, bent on world domination and the absolute control of hydrocarbon energy.

WHO WILL AND WHO WON'T EXTRADITE

With all of that being said, approximately six months ago FTW began the laborious process of contacting the foreign ministries of 75 countries. As in any diplomatic process, quick answers are hard to come by. Initial phone calls have had to be followed with written email requests and, in some cases, formal letters. Our requests have been forwarded back to the home country for evaluation and discussion, with the absolute certainty that the responding government understands the implications of our question.

FTW has committed to continuing this laborious and expensive process until we have definitive official responses from all 75 countries. A complete list of all 75 countries will be maintained on the FTW web site and will be updated as new information comes in. We stress that we will not make an entry unless we have received a direct on-the-record response from the concerned government.

As of this writing only 16 nations have provided official responses. Of those, only the countries of New Guinea, New Zealand, Norway, Portugal, Russia, Sweden and Switzerland will refuse to extradite draft evaders back to the US. Again we stress that immigration policy in some of those countries may quietly accomplish the same end.

FTW is not openly advocating draft evasion. We are, however, actively acknowledging that the draft, when it comes in this climate of increasing global conflict, will not sit easy with the American people. We think it is our obligation to provide good information upon which rational and principled decisions can be based.

TODAY'S OPTIONS

Canada is most certainly out of the question. Treaty revisions have clearly established that the Canadian government will toss draft evaders right back over the border. This will be made easier because the FBI now has agents in several Canadian cities and, since October 2002, the Canadian military is now a part of the Northern Command (Northcom). Northcom is a unified command in which the armed forces of the Continental United States (CONUS), Canada and Mexico all report to an American four-star general. In this case, the general is US Air Force General Ralph Eberhart who was in command of NORAD on 9/11, the day no US fighters responded in time to prevent the attacks even though they had responded much more quickly to less serious breaches 67 times in the previous calendar year.

The FBI now maintains Legal Attaches or Legats in 45 countries around the world with four more to be added in 2004. Other government sources confirm FBI operations in 54 countries.

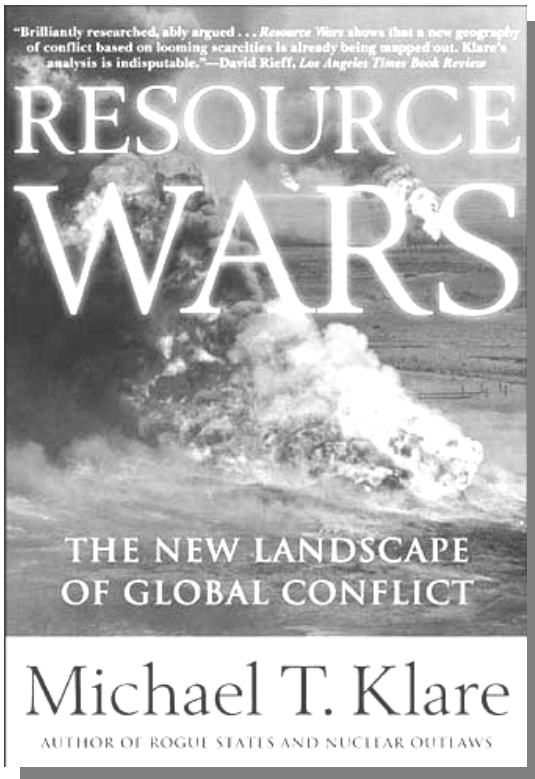
Getting a draft-aged male out of the country and into a foreign country might not be as easy as 35 years ago with enhanced travel scrutiny and computerized tracking of passenger manifests. In particular, the White House's Smart Borders program with Canada hints that the government is worried about possible draft evasion. The comprehensive, high-tech program will look at travelers going into Canada from the US and will incorporate biometric identifiers, computerized screening of refugee claims, advance passenger screening, joint passenger analysis units, and in-

creased security at ports and bus terminals. Plans are being developed to implement the same procedures along the Mexican border (Source: <http://www.whitehouse.gov>)

There is a strong likelihood that all members of military alliances with the US will not harbor draft evaders as a part of treaty obligations. This would include member nations of NATO or the ANZAC alliance.

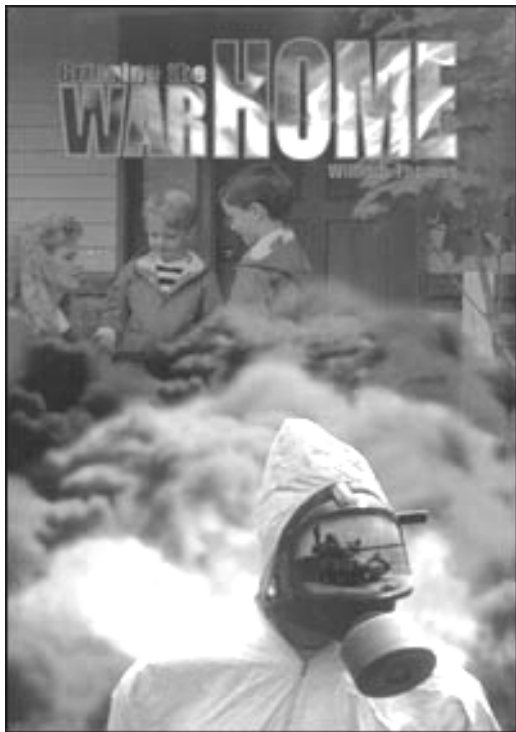
In addition, there are problems of visa requirements and immigration law that might prevent young American men from extended stays in certain countries. New Zealand, while telling *FTW* that it will not extradite draft evaders back to the US has notoriously strict immigration laws. It is also a member of ANZAC.

	Extradite Yes/No?	FBI LEGAT	NORTHCOM	NATO	ANZAC	CONDITIONS
Australia	Yes	Yes			Yes	
Canada	Yes	Yes	Yes	Yes		
Germany	Yes	Yes		Yes		
Italy	Yes	Yes		Yes		
Mexico	Yes	Yes	Yes			
New Guinea	No					Will not extradite
New Zealand	No				Yes	Will not extradite if violation of military law
Norway	No			Yes		Discretion of Foreign Ministry
Panama	Yes	Yes				
Philippines	Yes	Yes				
Portugal	No			Yes		
Russia	No	Yes				"No agreement for extradition exists"
Spain	Yes	Yes		Yes		
Sweden	No					No, if only crime is against military law
Switzerland	No	Yes				No, if only crime is against military law
Thailand	Yes	Yes				



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