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DEPARTMENT OF JUSTICE *NEWS CLIPS*

PREPARED FOR THE OFFICE OF PUBLIC AFFAIRS, US DEPARTMENT OF JUSTICE

TO: THE ATTORNEY GENERAL AND SENIOR STAFF

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TODAY'S EDITION

Terrorism News:

Judge Dismisses Main Charges Of Terrorism Against Lawyer (WSJournal).....	4.
Major Terror Charges Dropped For Lawyer (WPost).....	4.
Judge Dismisses Two Top Counts In Terror Indictment (AP) ..	5
Judge Dismisses Two Charges Against Cleric's Lawyer (Reuters)	6.
Judge Narrows Charges Against Lynne Stewart (NY Law Journal)	6.
FBI Eyes Evidence To Extradite Muslim Cleric (WTimes)	8
Death Penalty Ruled Out For British Detainees (NYTimes)	9
Two Britons At Guantanamo Will Not Face The Death Penalty (WPost).....	9
US Assures Britain on Guantanamo Detainees (Reuters)	10

Homeland Response:

Ashcroft Gives 'Pep Talk' In Seattle (Seattle P-I)	11
Attorney General Praises NW Law Enforcers (AP)	12
Ashcroft Cheers Terror War Victories (Tacoma News Tribune)	12
Toughen Patriot Act, Attorney General Says (Anchorage Daily News)	13
Middle East Immigrants Scarce At Ashcroft Protest (Seattle Times)	15
Ashcroft, Ujaama: The Boys Are Back In Town (Seattle P-I) ..	16
House Takes Aim at Patriot Act Secret Searches (Reuters) ..	18
Maria's Owner Offers Petition To McInnis (Durango Herald) ..	18
Ashcroft Gets Bad Rap (WT)	19
Being John Ashcroft (Boulder Daily Camera)	20
Patriot Act Excess (Albany Times-Union)	21
Violating Civil Rights Undercuts Our Cause (Daily Astorian) ..	22
Justice And The Suspects (SF Chronicle)	22
Report On 9/11 Cites Numerous Missed Clues (WSJournal) ..	23
9/11 Report: No Evidence Of Critical Mistakes (LATimes)	23

9/11 Hijackers' San Diego Contacts Detailed By Lawmakers' Report (WPost).....	25
Weapons Of Mass Redaction (NYTimes)	27
Senate Rejects Bid To Boost Homeland Security Funding (WPost)	28
Senate Holds Line On Domestic Security Bill (NYTimes)	29
Tighter Cargo Security Proposed (WPost)	29
Screening Will Be Thorough (USAT)	30
Visa Fixes Fall Short (USAT)	31
Putting Out Fires And Keeping The Peace (NYTimes)	31

War News:

Hussein's Two Sons Are Killed In Firefight With US Troops (WSJournal)	32
US Kills Hussein's Sons In Firefight At Mansion (LATimes) ..	34
Elimination Of Infamous Duo May Help Stabilize Iraq (HOU) ..	36
Saddam's Sons Killed In Iraq Gun Battle (FT)	38
A Major Strike At Hussein's Inner Circle (CSM)	39
US Lowered Its Sights In Iraq Search (WPost)	40
Hussein's 2 Sons Dead In Shootout, US Says (NYTimes)	42
With Hussein's Heirs Gone, Hopes Rise For End To Attacks (NYTimes)	44
The Ruthless Excesses Of A 'Wolf' And 'Snake' (WPost)	45
Sons Followed Father's Cruel Path (USAT)	47
For Brutality, Hussein's Sons Exceeded Even Their Father (NYTimes)	48
Sons Of The Father (WPost)	49
Sons' Deaths A Turning Point In Campaign (LATimes)	51
President On Defensive Gets A Welcome Boost (WPost)	52
Saddam's Sons Killed (AJC)	54
What The Hussein Brothers' Deaths Mean For Iraq (Time)	55
When Uday And Qusay Didn't Give Up, Bullets Started Flying (USAT)	57
Hussein's Two Sons Killed In Firefight With US Troops (WPost)	59

Saddam's Sons Dead (WTimes)	61	Feds Step Up Corporate Prosecutions (UPI)	101
The Plush But Always Perilous Lives Of The Dictator's Three Daughters (WPost)	63	Feds Boast of Corporate Fraud Crackdown (Reuters)	102
The Brothers Grim (NYTimes)	64	White House Praises Fraud Task Force (FT)	102
A Good Day In Iraq (WPost)	65	Corporate Fraud Task Forces Says Its Restoring Confidence (Dow Jones)	103
Death Of Saddam's Sons Deals Iraqis A Better Hand (USAT)	66	Justice Dept Asks For OFHEO's Help On Freddie Mac (Dow Jones)	103
Quagmire? (WSJournal)	66	Freddie Mac Finance Chief In Admission (FT)	103
The End of the Crown Princes (Newsweek)	68	Freddie Mac Probe May Focus Much Of Blame On Ex-President (WSJournal)	104
Bush Aide Takes Blame On Speech (USAT)	69	GSE Regulatory-Legislation Momentum Grows In US Congress (WSJournal)	105
Bush Aides Disclose Warnings From CIA (WPost)	70	Fincl Services Roundtable Backs Shifting OFHEO To US Tsy (WSJournal)	106
National Security Aide Says He's To Blame For Speech Error (NYTimes)	72	US-Securities Funds May Get Limits On What They Can Hold (WSJournal)	106
CIA Memos On Uranium Fell Through The Cracks (WSJournal)	73	Federal Housing Nominee Criticized (WPost)	107
Blame For Nuke Nuclear Reference Shared (HOU)	73	WorldCom Director Assails Firm's Critics (WPost)	108
2nd Key Aide Apologizes For Uranium Claim (DMN)	75	3 Rent-Way Executives Plead Guilty (WPost)	109
Iraqi Rebels Savor Problems Of Bush, Blair (WTimes)	76	Former Rent-Way Executives Plead Guilty (AP)	110
Cheney's Intelligence Role Scrutinized (Denver Post)	77	Former Rite Aid Lawyer to Stand Trial (AP)	110
Some Democrats Think Intel Ranking Member Isn't Team Player (Roll Call)	80	Long-Term Capital Case Puts Tax Shelters On Trial (WPost)	111
Durbin Accuses White House Of Intimidation (Roll Call)	82	States' Role In Doubt On Wall Street (WPost)	112
Blair Denies Authorizing The Leaking Of Inspector's Name (NYTimes)	84	Wall Street And The States (WPost)	114
Blair Denies Authorizing Leak Of Kelly's Name (FT)	84	NYSE Seeks End To Trader Case; Firms Dismiss Idea Of Settlement (WSJournal)	114
The BBC Must Not Be A Casualty Of War (FT)	85	SEC Reviews Exchange Regulation (FT)	115
Uneasy Statesmen And Spy Alliance (FT)	86	Funds May Have To Tell More (WSJournal)	116
Parallel Universes (WPost)	87	ImClone Founder Due at Federal Prison (AP)	117
Wearry Brigade Told It'll Leave Iraq (AJC)	88	Criminal Law:	
Members Of Iraqi Political Council Seek Help At UN (WPost)	89	A Clash of Cultures (NLJ)	118
Iraq's Governing Council Gains Support At UN (NYTimes)	90	Ashcroft Unfairly Forces States To Embrace The Death Penalty (Omaha World-Herald)	120
Delegates Vow Iraqis Won't Let Tyranny Return (WTimes)	91	Jury's Verdict In Death Reversed (WPost)	121
Coalition Curbs Wild Iraqi Press (CSM)	92	Probe Sought Of Westar Donations (Wichita Eagle)	122
US Shuttters Newspaper In Baghdad (WPost)	94	Boeing Rocket Executive Is Focus Of US Military-Contract Probe (WSJournal)	123
US To Set Up Iraq Bank (WPost)	94	Victims Protest Lack Of Prosecution Of Church Officials (AP)	124
Jessica Lynch Returns Home Months After POW Ordeal (WSJournal/ AP)	95	Virginia Executes Man For '97 Death (WPost)	125
Thousands Greet Pfc Lynch On Her Return To West Virginia (NYTimes)	95	Movie Firms To Run Ads Targeting Internet Pirates (WPost)	126
Justice Still Unserved In Rebuilding (Marin Independent Journal)	97	Authorities Investigating Toe Found By Cadaver Dog (AP)	126
DOJ:		Civil Law:	
A Few Too Many Zeroes (WPost)	98	Judge Won't Dismiss Suit Against FEC (AP)	127
Corporate Scandals:		Morning Business (Roll Call)	128
Corporate Fraud War: 'High Marks' (AP)	100		
Bush Administration Touts Corporate Crime Record (AFX)	101		

Civil Rights:

Detroit Cop Reform Launched (Detroit News)	129
Detroit Council Questions Police Monitor (DFP).....	130
Biased Justice Report Slammed Training Schools, Lawmaker Says (AP).....	130
'Peace Ambassadors' Walk Inglewood Before Police Trial Verdict (AP).....	131
Obscenity Law In Ohio Targeted By Lawyer (WTimes)	132

Antitrust:

House Media Vote Signals A Fight Over Ownership (WSJournal).....	133
Republicans Are Adding Weight To Reversal Of FCC Media Rule (NYTimes).....	134
House May Block Part Of FCC's Media Plan (WPost)	135
'Big' Isn't 'Bad' (WSJournal).....	137
Watchdog Asks Justice Dept To Block Oracle (CNETNews)	138
Dana Board Rejects ArvinMeritor Offer (AP).....	138
Dana Unlikely To Reconsider ArvinMeritor Bid (FT).....	139
ArvinMeritor: Committed To Acquiring Dana Corp (Dow Jones).....	140
Lehman Bros Plans To Pay \$2.6b For Neuberger (USAT)	141
Lehman To Buy Neuberger In Deal Worth \$2.6 Billion (NYTimes)	141
Lehman Brothers Moves From Prey To Hunter (WSJournal).....	143
Private Equity Deals Are Again The Talk Of Europe (NYTimes)	144
Roche Holding Talks To Purchase Igen (WPost).....	146
EU May Opt For Extended Probe Of Alcan Bid For Pechiney (Dow Jones).....	147

Environment:

Corps Held in Contempt Over Mo River Flap (AP).....	148
Judge Finds Corps In Contempt In Case Involving Missouri River (Knight Ridder)	149
Looking For Common Sense (Council Bluffs Nonpareil)	150
Babbitt Faults Norton Policies (Sacramento Bee).....	150
Developer Loses Endangered Toad Case (AP).....	152

FBI/DEA/ATF:

FBI Men Allege Retaliation for Testimony (AP).....	152
The FBI's Least Wanted (LATimes)	152
Reputed Miami Drug Kingpin Gets 20 Years (AP).....	155
Fresno Chamber Chief Arrested On Drug Charge (LATimes)	155
Expert Panel Finds Flaws In Diet Pill Safety Study (NYTimes).....	157
GAO Links Ephedra With Serious Side Effects (WPost).....	159
House Takes Aim At Ephedra (Copley)	159
Gun Shop's New Operator Gets License (Seattle Times).....	160

Immigration:

Michigan To Test US Plan To Tether Immigrants In Attempt To Ease Crowding In Jail (DFP).....	161
Ex-Norfolk Airport Worker Fined In Immigration Case (Virginian-Pilot).....	162
Inside Politics (WTimes)	163
One Town's Struggle To Accept Immigrants (CSM).....	165

Tax:

Lawyer Barred From Selling Tax Schemes (LAT).....	166
Feds Sue Quakers To Recoup 42g In Taxes, Interest Owed By Aide (PhiladelphiaDaily News)	167
IRS Targets Metro Muffler Shop (Denver Post).....	168
Abolish The Income Tax And The IRS (WSJournal)	169

Congress-Administration:

Schumer Strikes Deal To Fill Every Federal Judge Slot In State (AP).....	169
An Extremist Judicial Nominee (NYTimes).....	170
Medicare Bills' Price Tags Top The \$400 Billion Cap (WSJournal).....	171
Medicare Bills' Costs Exceed Bush Limit (LATimes).....	171
Fewer Retirees Get Drug Coverage From Employers (NYTimes).....	172
Report Challenges Medicare Reform Bills (WPost)	173
Medicare Bills Exceed Bush Spending Limit (AP).....	175
Report: Boxing Rules Too Inconsistent (AP).....	176
Push Stalls For Low-Income Tax Fix (WSJournal)	176
Compromise To Expand Child Tax Credit Pursued (WPost).....	177
Deal Offered On Child Tax Credit (NYTimes).....	178
GOP Leaders, Conservatives Split On Balanced-Budget Amendment (The Hill)	179
Needed: A Deficit Lecture, Perot-Style (WPost).....	180
Butting Heads With The Pentagon (NYTimes).....	181
Credit Card Industry Steps Up Lobbying (Roll Call).....	183

Other News:

Powell Endorses Liberian Peacekeeping Role (WPost)	185
White House Remains Noncommittal On Troops For Liberia (NYTimes).....	186
Powell Says US Should Not 'Look Away' From Liberian Plight (WTimes)	187
Ex-Members In Liberia (Roll Call).....	188
Liberian Says He'll Leave In 10 Days; Fighting Eases (NYTimes).....	190
Rebels Agree To Cease-Fire; Foreigners Leave Monrovia (WSJournal/ AP).....	191

Liberia's Rebel Leaders Call For Cease-Fire; Deaths Climb (LATimes)	192	Backer Of California Recall Feels Heat Directed At Him (NYTimes)	199
11 Nations Join Plan To Stop N Korean Ships (USAT)	194	Attorney Clears Hurdle in Defamation Action Against ABA (Legal Intelligencer)	201
It's Either Nukes Or Negotiation (WPost)	195	Falun Gong Convenes At Capitol (WTimes)	203
Numbers Add Up To Fall Recall Election (LATimes)	196	China's Spiritual Outlaws (WPost)	203
Gov Davis Comes Out Fighting In Round 2 Of Recall Campaign (WPost)	198	Castro's Foes Feted By French (WTimes)	205

TERRORISM NEWS:

Judge Dismisses Main Charges Of Terrorism Against Lawyer (WSJournal)

The Wall Street Journal, July 23, 2003

NEW YORK – A judge dismissed the two main terror counts against a civil rights lawyer and her co-defendants Tuesday, saying charges they conspired to support a terrorism organization were unconstitutionally vague.

U.S. District Judge John G. Koeltl left intact charges that attorney Lynne Stewart and the others conspired to defraud the U.S. and that Ms. Stewart made false statements.

"It certainly is a great relief," Ms. Stewart said of the ruling. "It's also wonderful to know that the case maybe has opened a way for the use of this law to be circumscribed, curtailed a little bit."

U.S. Attorney James B. Comey said in a statement that he still believes the 1996 law prohibiting material support for terrorism is constitutional, and that an appeal is possible.

Ms. Stewart, who hasn't been jailed, was charged last year with helping deliver messages from her client, Sheik Omar Abdel-Rahman, who is serving a life sentence for conspiring to blow up New York City landmarks and assassinate Egyptian President Hosni Mubarak.

Prosecutors say she and co-defendants Mohammed Yousry, an Arabic translator, and Ahmed Abdel Sattar, a U.S. postal worker, helped relay messages from the blind Egyptian cleric to the Islamic Group, a radical terrorist group based in Egypt. According to an indictment, they conspired to provide communications equipment, personnel, currency, financial securities and financial services to the Islamic Group.

All three pleaded innocent.

The judge didn't attempt to strike down the 1996 anti-terrorism law, but said the defendants were correct to argue against a prosecution based on the mere use of telephones and other means of communication.

The law was passed after a series of terrorist attacks world-wide against U.S. interests. The defendants had argued that the statute doesn't outlaw "simply making a phone call or similarly communicating one's thoughts," the judge noted.

The charges came after the federal government imposed special administrative measures restricting the sheik's access to mail, the telephone and visitors and prohibiting him from speaking with the media. The fraud charge remaining against the three accuses them of trying to circumvent those measures. In the false statement charge remaining against Ms. Stewart, she is accused of lying when she promised the government that she wouldn't use her meetings with the sheik to pass messages between him and third parties.

Prosecutors accused Ms. Stewart of letting Mr. Yousry read letters from Mr. Sattar and others regarding Islamic Group matters to the sheik and to discuss during a May 2000 meeting whether the organization should continue to comply with a cease-fire. They said Ms. Stewart tried to conceal the discussions from prison guards and violated the law when she announced to the media that the sheik had withdrawn his support for the cease-fire, which had been in effect since 1998.

Major Terror Charges Dropped For Lawyer (WPost)

By Michael Powell and Christine Haughney

The Washington Post, July 23, 2003

NEW YORK, July 22 -- A federal judge tossed out two major terrorism charges today against a prominent attorney for radicals, saying the charges were unconstitutionally vague and "reveal a lack of prosecutorial standards."

U.S. District Judge John G. Koeltl issued a 77-page ruling that left standing some accusations against Lynne Stewart, but threw out the two most serious charges in the grand jury indictment against her.

Prosecutors had accused Stewart, 62, of passing messages between her client, the imprisoned Sheik Omar Abdel Rahman and an Egyptian terrorist organization. Rahman, a blind Muslim cleric, is serving a life sentence for conspiring to blow up the World Trade Center and the United Nations, among other New York landmarks.

Koeltl wrote that prosecutors had taken too expansive a reading of federal laws that prohibit conspiring to provide material support to a foreign terrorist organization, adding that the indictment in this case threatened to criminalize the "mere use" of telephones. He wrote that the government appeared to define defense lawyers in this case as "quasi employees" of their clients and therefore subject to criminal prosecution.

"The government's evolving definition," Koeltl wrote, "reveals a lack of prosecutorial standards that would permit a standardless sweep that allows policemen, prosecutors and juries to pursue their personal predilections."

Stewart said she was relieved to escape the shadow of a possible 40-year jail sentence. "Getting rid of the terror word is a big win," she said. "The judge upheld my right to speak up for a client."

The government has used the once obscure material support for terror charge more frequently since the Sept. 11, 2001, attacks, employing the 1996 statute with varying degrees of success, against alleged terrorist cells in Lackawanna, N.Y., Seattle and Detroit, as well as against John Walker Lindh, who ultimately pleaded guilty to other charges of aiding the Taliban.

It was unclear how far Koeltl's ruling goes, in challenging the material support law or in giving defense lawyers a foothold to attack the law elsewhere. Koeltl found the material support law unconstitutional as prosecutors applied it. But he also wrote that the law had "plainly legitimate applications," such as prohibiting people from providing false documents, money and explosives to a terrorist organization.

Mark Corallo, a Justice Department spokesman, said last night that lawyers are still reviewing the ruling. He said they believe the judge has not thrown out the material support statute altogether, but instead has simply ruled that its application in this case is unconstitutional. Separately, a spokesman for the U.S. prosecutor in Manhattan released a statement saying they still believe the law is constitutional and are considering appeals.

The ruling pleased those who see prosecutors' application of the "material support" statutes since the Sept. 11 attacks as too aggressive and broad. Neal R. Sonnett, a former federal prosecutor and now chairman of the American Bar Association's task force on treatment of enemy combatants, said:

"The indictment of Lynne Stewart, I thought, was a very unfair attack on lawyering. This judge's ruling . . . upholds zealous advocacy and does not indict a lawyer for lawyering and being a lawyer."

The question is whether Stewart went further than that. A former librarian who had defended a Who's Who of radicals in the past two decades, she was accused of trying to trick prison guards during her visits to Rahman's cell in Rochester, Minn. They alleged she spoke legalese while Mohammed Yousry, an Arabic interpreter who was also indicted, spoke of Islamic revolution.

Koeltl also threw out similar charges against Yousry. However, he left standing charges that Stewart and Yousry conspired to defraud the United States and that Stewart made false statements.

Judge Dismisses Two Top Counts In Terror Indictment (AP)

By Larry Neumeister

The Associated Press, July 22, 2003

NEW YORK (AP) - A judge dismissed the two main terror counts against a civil rights lawyer and a translator Tuesday, saying charges they conspired to support a terrorism organization were unconstitutionally vague.

U.S. District Judge John G. Koeltl left intact charges that attorney Lynne Stewart and two others conspired to defraud the United States and that Stewart made false statements.

"I'm relieved and elated," Stewart said. She declined to comment further until she had read the decision.

Stewart was charged last year with helping deliver messages from her client, Sheik Omar Abdel-Rahman, who is serving a life sentence for conspiring to blow up New York City landmarks and assassinate Egyptian President Hosni Mubarak.

When Attorney General John Ashcroft announced the indictment last year, he said Stewart illegally aided Abdel-Rahman, during a visit with him at the federal prison in Rochester, Minn., in May 2000. Abdel-Rahman has since been transferred from the prison hospital.

Prosecutors say she and co-defendants Mohammed Yousry, an Arabic translator, and Ahmed Abdel Sattar, a U.S. postal worker, helped relay messages from the blind Egyptian cleric to the Islamic Group, a radical Egyptian-based terrorist group.

All three have pleaded innocent.

The judge said the defendants were correct to argue that a law outlawing the mere use of phones and other means of communication without specifying what is illegal was unconstitutionally vague.

A spokesman for U.S. Attorney James B. Comey said the prosecutor had no immediate comment.

Tuesday's ruling followed a hearing where defense lawyer Michael E. Tigar had asked the judge to toss out the entire indictment against Stewart.

Judge Dismisses Two Charges Against Cleric's Lawyer (Reuters)

By Paul Thomasch

Reuters, July 22, 2003

NEW YORK, July 22 (Reuters) - A federal judge on Tuesday threw out two criminal charges against a defense attorney accused of helping a militant Islamic cleric communicate from prison with a group said by the U.S. government to be a terrorist organization.

U.S. District Judge John Koeltl said that two charges brought against Lynne Stewart and her co-defendants were "unconstitutionally vague" in a 77-page ruling that left intact several other charges outlined in the grand jury indictment.

Stewart, a defense attorney, represented Sheik Omar Abdel-Rahman at the 1995 trial in which he was convicted of plotting a "war of urban terrorism" that included the 1993 World Trade Center bombing.

The U.S. attorney's office has accused her of helping Abdel-Rahman communicate from prison with an organization the U.S. government deems a terrorist group, the Egyptian-based Islamic Group.

Stewart has denied wrongdoing, and the case has drawn widespread attention from other defense attorneys who fear it could pose a threat to lawyers who represent unpopular clients.

The ruling by Judge Koeltl throws out the first two counts of the indictment against Stewart, both of which center on providing, or conspiring to provide, material support to a foreign terrorist organization.

Those charges were also dismissed against other defendants in the case, including Ahmed Abdel Sattar, a top aide to Abdel-Rahman, and Mohammed Yousry, an Arabic interpreter, and Yassir Al-Sirri, who did not participate in the motion.

The U.S. attorney's office said it is reviewing its appellate options.

Stewart, Sattar and Yousry still face charges of conspiring to defraud the United States. Stewart has also been charged with making false statements, while Sattar and Al-Sirri are accused of soliciting people to undertake crimes of violence.

The judge denied motions to have those charges dismissed.

In last year's indictment, prosecutors said Stewart violated a special order obtained by the Justice Department under which Abdel-Rahman was supposed to have limited contact with the outside world and conversations with his lawyer and staff were supposed to be limited to legal matters.

Stewart's attorney was not immediately available for comment.

Judge Narrows Charges Against Lynne Stewart (NY Law Journal)

By Mark Hamblett

The New York Law Journal, July 23, 2003

Defense lawyer Lynne Stewart scored a victory Monday when a federal judge dismissed charges that she provided material support to a terrorist group. Southern District Judge John G. Koeltl agreed with defense lawyers that the federal statute forbidding

the provision of material support or resources to a designated terrorist group, 18 U.S.C. §2339B, was unconstitutionally vague as applied to Stewart and her co-defendants.

The judge in *United States v. Sattar*, 02 Cr. 395, also dismissed a conspiracy count based on that same law, leaving Stewart facing the two least-serious charges leveled against her in an indictment issued last year: making false statements and conspiring to defraud the government.

Stewart and three others were charged with helping convicted terrorist conspirator Sheikh Omar Abdel Rahman maintain contact with the outlaw terror organization Islamic Group from behind the bars of a federal prison. Stewart had represented Sheikh Abdel Rahman at his 1995 trial for seditious conspiracy to commit terror attacks in New York City, and continued to visit him after he was incarcerated.

The indictment accused her and co-defendants Ahmed Abdel Sattar, Yassir Al-Sirri and Mohammed Yousry with staffing a "communications pipeline" between the sheikh and the Islamic Group, an organization that had claimed credit for the massacre of 62 people at an archeological site in Luxor, Egypt, in 1997. The Islamic Group had a tentative cease-fire with the Egyptian government in which it was refraining from terrorist attacks, and Stewart and her co-defendants were accused of communicating Sheikh Abdel Rahman's withdrawal of support for the truce.

On the material support for terrorism, Stewart was accused of providing "communications equipment" and "personnel" to the Islamic Group in violation of §2339B.

However, Stewart's lawyer Michael Tigar and Kenneth Paul, the lawyer for Sattar, argued that the law criminalized innocent behavior.

"The defendants are correct and by criminalizing the mere use of phones and other means of communication the statute provides neither notice nor standards for its application such that it is unconstitutionally vague as applied," Koeltl said. "A criminal defendant simply could not be expected to know that the conduct alleged was prohibited by the statute."

Tigar also argued that it put Stewart in an untenable position as a lawyer for Sheikh Abdel Rahman, an opinion Koeltl appeared to embrace. "The Government accuses Stewart of providing personnel, including herself, to [the Islamic Group]," Koeltl said. "In so doing, however, the Government fails to explain how a lawyer, acting as an agent of her client, an alleged leader of an FTO [foreign terrorist organization], could avoid being subject to the criminal prosecution as a 'quasi-employee' allegedly covered by the statute."

Moreover, Koeltl said that the "Government expressed some uncertainty as to whether a lawyer for an FTO would be providing personnel to the FTO before the Government suggested that the answer may depend on whether the lawyer was 'house counsel' or an independent counsel -- distinctions not found in the statute."

Koeltl refused to find the material support for terrorism statute unconstitutionally overbroad, saying its prohibitions are content-neutral and its purposes are "aimed not at speech but at conduct."

Furthermore, the judge rejected a defense request for a ruling that the Islamic Group was improperly designated a foreign terrorist organization, and he declined to find unconstitutional the statute that provides for such a designation.

Koeltl's opinion also dealt with several issues revolving around the Special Administrative Measures imposed on Sheikh Abdel Rahman by the Bureau of Prisons. The measures prevented Abdel Rahman from speaking to the media or communicating with the outside world.

Stewart claimed that restricting her client's right to speak, and her right to speak for him, violated her First Amendment rights, as well as her right to practice as an attorney.

She also challenged an attorney affirmation she signed in May 2000, in which she agreed to "abide" by the terms of the administrative measures. The government claimed she ultimately broke these measures by making extraneous comments to cover a conversation concerning the Islamic Group between Sheikh Abdel Rahman and the interpreter, Yousry, and when Stewart's made a statement to the media saying the sheikh was "withdrawing his support" for the Islamic Group's cease-fire.

Koeltl agreed with prosecutors.

"The Government argues correctly that Stewart cannot defeat the charges against her by attacking the legality or constitutionality of the statute or requirement that prompted her alleged deceit," Koeltl said. He added that "it is clear that Stewart

had avenues of redress within the legal system through which she could challenge the [administrative measures] or the Government's authority to obtain the May affirmation."

While the judge refused to dismiss the false statement and conspiracy to defraud charges against Stewart, he did grant her request for an evidentiary hearing on whether her signing of the affirmation and her conversations with a federal prosecutor about the administrative measures amounted to a non-prosecution agreement. Koeltl also rejected motions to dismiss the third count of the indictment, charging Sattar and Al-Sirri with soliciting persons to engage in crimes of violence.

Finally, he rejected motions made by Stewart and Sattar to sever their trials. Southern District U.S. Attorney James B. Comey said in statement, "We continue to believe that the statute prohibiting material support of terrorism is constitutional, and we are reviewing our appellate options."

Assistant U.S. Attorneys Robin Baker and Christopher Morvillo represented the government.

FBI Eyes Evidence To Extradite Muslim Cleric (WTimes)

By Neil Doyle

The Washington Times, July 23, 2003

LONDON - The FBI is examining evidence from a sting operation mounted against the radical Muslim cleric Abu Hamza al-Masri in Britain to determine whether it bolsters the case for his extradition to the United States on terrorism-related charges.

A cache of secret video and audiotapes was given by al-Masri to a researcher, who infiltrated his group based at the Finsbury Park mosque in London.

One of the tapes includes a documentary in Arabic detailing the engineering methods used in building the World Trade Center's Twin Towers.

Recorded before the September 11 terrorist attacks, the tape also details the construction of the Petronas Twin Towers in Kuala Lumpur, Malaysia, currently the world's tallest structures.

In footage of a meeting of militant Islamists on one of the tapes, a voice can be heard repeatedly shouting in the background: "Brother Atta."

Mohamed Atta was the lead hijacker in the September 11 terrorist attacks.

Several of the hijackers are thought to have visited the United Kingdom in 1999, staying at an address in Wood Green in north London.

Glen Jenvey, 38-year-old British free-lance counterintelligence investigator, was sent the tapes after he set up a fake Web site for al Qaeda supporters.

Mr. Jenvey published militant Islamic propaganda on the site and passed on details of people visiting the site to the FBI. He then contacted al-Masri, who was said to be delighted with the site and sent him several films used for recruitment.

Mr. Jenvey told the London Sunday Times: "I started to suggest I could help him recruit people for his jihad. He got very excited by this.

"He would burble prayers down the phone in an almost demented fashion. I thought he must be a bit mad."

Antiterrorist branch officers at Scotland Yard in London took a statement from Mr. Jenvey in March and sent it to the FBI, which is building a case for the extradition of al-Masri to the United States.

Other material on the tapes shows al-Masri talking at a private meeting about so-called suicide bombers and three Britons being interviewed about their experiences fighting jihad in Bosnia-Herzegovina.

Another of the videos shows him holding a meeting with James Ujaama, who used to oversee al-Masri's Web site in London and has been convicted in the United States of aiding the Taliban.

Ujaama, 37, pleaded guilty in April to conspiring to provide cash, computers and services to the Taliban, the radical Muslim sect that ruled Afghanistan until being ousted by a U.S.-led coalition after the September 11 attacks.

The Seattle Times reported at the time that other charges were dropped under a plea agreement with the Justice Department, in which Ujaama received a two-year prison sentence in exchange for his testimony against al-Masri.

Ujaama has now agreed to testify against al-Masri before a federal grand jury in New York.

Al-Masri, 44, is wanted in the United States as a suspected terrorist and is accused of conspiring with Ujaama to set up a jihad training camp in Bly, Ore.

A spokesman for al-Masri has described the New York grand jury investigation as a joke and a kangaroo court.

British Home Secretary David Blunkett has stripped al-Masri of his United Kingdom citizenship, using powers granted to him under new immigration laws that came into effect in April.

The move has been seen as paving the way for al-Masri's deportation, although his attorneys have filed an appeal against the decision.

He is known for recruiting militant Islamists and for his public praise of Osama bin Laden and the September 2001 attacks. In February, he described the Columbia Space Shuttle disaster as "a punishment from God."

Al-Masri's inflammatory remarks have led to him being barred from preaching at the Finsbury Park mosque by the Charity Commission, the British charities watchdog.

Death Penalty Ruled Out For British Detainees (NYTimes)

By SARAHL YALL

The New York Times, July 23, 2003

LONDON, July 22 - The Bush administration has assured the British government that it will not seek the death penalty for two Britons being held as terrorist suspects at the American naval base in Guantánamo Bay, Cuba, British and American officials said today.

In a statement released in Washington, where he had just concluded several days of discussions about the fate of the two men, Feroz Abbasi and Moazzam Begg, the British attorney general, Lord Goldsmith, said he had made significant progress in efforts to ensure that they be tried fairly.

Mr. Begg, 35, from Birmingham, England, and Mr. Abbasi, 23, from London, were on a list of six detainees identified by President Bush earlier this month as likely to be tried by military tribunals at Guantánamo Bay. The news immediately raised protests in Britain, America's staunchest ally in the war against Iraq, with politicians, civil rights groups and editorial writers accusing the government of Prime Minister Tony Blair of failing to ensure the civil rights of British citizens in the face of American legal proceedings.

Among other things, Lord Goldsmith said today, the Americans have promised that, should the tribunals proceed, the Britons' conversations with their defense lawyers would not be monitored or reviewed by American authorities. In addition, he said, the trials would be open to reporters and subject to security restrictions, and the two men would be allowed to consult British lawyers, even though they would be officially represented by American lawyers.

Lord Goldsmith's statement only referred to the two men, although seven other Britons being held at Guantánamo Bay have been included in his negotiations. In all, 680 prisoners from more than 40 countries are being detained at the naval base, without being charged or tried. The two Britons named so far are thought to be relatively low-level suspects who would most likely be charged with receiving training from Al Qaeda.

The Australian government is conducting separate negotiations with the United States about Australians being held there, one of whom was also on President Bush's list of six.

In Washington, government officials said the death penalty had never been seriously considered in the cases of the two Britons. But the death penalty is illegal in Britain, and even the possibility that such a sentence might be imposed created a huge political problem for the government. Last week, on a visit to Washington, Mr. Blair pressed Mr. Bush on the issue.

Several other issues are still unresolved, including the question of whether the American government would be willing to return British suspects to Britain, rather than trying them in Cuba.

Two Britons At Guantanamo Will Not Face The Death Penalty (WPost)

Official Denies U.S. Is Dealing Out Separate Justice to Favorites

By Bradley Graham and Tania Branigan

The Washington Post, July 23, 2003

The United States assured Britain yesterday that U.S. prosecutors will not seek the death penalty against two British citizens facing possible trial on terrorism charges before military tribunals.

Lord Goldsmith, Britain's attorney general, reported the agreement following a meeting with Pentagon general counsel William J. Haynes II.

The United States has nine Britons in custody among the 680 prisoners from 42 countries being held at Guantanamo Bay, Cuba, in connection with the war in Afghanistan and the campaign against terrorism. Their detention has been a controversial issue in Britain and a source of political difficulty for British Prime Minister Tony Blair.

Blair's government has sought the repatriation of the Britons and, failing that, assurances of fair trials free of the prospect of the death sentence, which is outlawed in Britain. Expressions of concern in Britain rose to new levels this month after President Bush listed Britons Feroz Abbasi, 23, and Moazzam Begg, 35, among the first six prisoners eligible for military trial as early as this summer.

Pressed personally by Blair, who was in Washington last week, Bush announced that his administration would reconsider whether and under what circumstances to bring before American military tribunals Britons and at least one Australian captured in the Afghanistan war. But the move opens the president to criticism that he is showing favoritism to his allies and not dispensing justice equally in the war on terrorism.

A senior defense official confirmed the decision not to pursue the death penalty for the two Britons but said it reflected a review of the evidence, not a special favor for the British. "In this particular case, the evidence doesn't warrant the death penalty," said the official, who requested anonymity.

Goldsmith also reported "significant progress" in other areas, saying in a statement that U.S. officials had agreed to allow the British defendants to choose their own U.S. civilian lawyers, use British lawyers as consultants and speak confidentially with their attorneys. More contact with families and immediate visits by British officials were also promised, as were public trials, he said.

"These talks were constructive," Goldsmith said. "We are continuing to discuss the possible repatriation of British detainees to the U.K."

But lawyers acting on behalf of the families of Abbasi and Begg said that the talks had achieved little and that most of the points cited by Goldsmith simply restated the rules of the military tribunals.

"It says nothing at all," said Clive Stafford Smith, a British-born lawyer practicing in the United States who has been campaigning for the rights of the Britons at the request of their relatives.

Louise Christian, a British lawyer representing Abbasi's mother, said: "It's no good. It's still a military commission. It's still a trial in front of people who are not independent of the U.S. government."

She pointed out that British lawyers acting as "consultants" would not necessarily be able to see their clients or even the evidence firsthand.

Said Begg's father, Azmat, from his home in Birmingham, England: "This has improved things a little, but not much." He added that he had not expected his son to face the death penalty.

Separate talks underway over the future of a third man assigned for military trial -- Australian citizen David Hicks, 27 -- are due to continue today between administration officials and Australia's minister for justice, Senator Chris Ellison.

The talks have raised concern among some legal experts and representatives of other countries that the treatment of the detainees may rest as much on the relationships of their governments with the United States as on the evidence against them.

"This is going to get incredibly untidy if separate deals are cut," said Eugene Fidell, president of the private National Institute of Military Justice.

"We believe that whatever is being done has to be done on a non-discriminatory basis. That's the rule of law," said Asad Hayauddin, press attaché at the Pakistani Embassy in Washington. "There should be a uniform set of procedures followed."

US Assures Britain on Guantanamo Detainees (Reuters)

Reuters, July 22, 2003

WASHINGTON (Reuters) - The United States has told Britain that it will not seek the death penalty in the case of two Britons held at Guantanamo Bay in Cuba, British Attorney General Lord Goldsmith said in a statement on Tuesday.

At the request of British Prime Minister Tony Blair, the United States last week suspended military court proceedings against the two Britons -- Moazzam Begg, 35, and Feroz Abbasi, 23, who were among suspected al Qaeda members detained in Afghanistan or Pakistan and moved to the U.S. base in Cuba.

Goldsmith's statement, released by the British Embassy in Washington, said the prosecutions of Begg and Abbasi remained suspended but implied that they were expected to resume.

"The prosecution will not seek the death penalty in the cases of Feroz Abbasi and Moazzam Begg," it said.

"Begg and Abbasi will be able to be represented by an appropriately qualified U.S. civilian lawyer of their own choosing, subject to security clearance," it added.

The men's families and other campaigners want much more from the United States, including the repatriation of the detainees for trial in Britain.

Their cases have become one test for what Blair is able to obtain from the United States as a reward for his strong support for the U.S. invasion and occupation of Iraq.

Goldsmith visited Washington on Monday and Tuesday to follow up on Blair's visit last week. He had talks with senior U.S. officials in the Defense Department, State Department, Justice Department and the White House.

He said the United States had also given assurances that a British lawyer could act as consultant to the defense team, that British officials would immediately receive further access to the men and that the United States will look at ways to give relatives more contact with British detainees at Guantanamo.

U.S. authorities will not monitor contacts between the two British detainees and their lawyers and any trial would be open, subject to necessary security restrictions, he added.

Britain and the United States will "actively consider" arrangements to enable convicted British prisoners to serve their sentences in Britain, he said.

"These and other issues relating to U.K. concerns about the fairness of trial in the Military Commissions needed further discussion. I agreed that I would return shortly to Washington for further discussions," the statement added.

The United States is holding more than 600 people from 42 nations as prisoners at the special camp at the Guantanamo Bay naval base. The prisoners include nationals from Britain, Australia, Saudi Arabia, Pakistan and Afghanistan but the U.S. military has not given a precise breakdown.

The two Britons were part of a first group of six suspects Washington had said it would try in military courts.

HOMELAND RESPONSE:

Ashcroft Gives 'Pep Talk' In Seattle (Seattle P-I)

Attorney general praises state, local leaders' efforts to fight terrorism

By Paul Shukovsky

The Seattle Post-Intelligencer, July 23, 2003

U.S. Attorney General John Ashcroft traveled to Seattle yesterday to praise and encourage regional leaders in the war on terrorism.

In early-morning meetings with federal, state and local law enforcement chiefs from around the state, Ashcroft gave what U.S. Attorney John McKay of Seattle called a "strong pep talk that was well-received."

McKay said the attorney general did not carry news of any new federal dollars for people or equipment for the agencies that Ashcroft praised in a news conference yesterday at Coast Guard headquarters.

"American citizens are safer, and our liberties are more secure," Ashcroft said in lauding the work of the state anti-terrorism task force.

But McKay said that having Ashcroft meet reporters on an Elliott Bay dock "was eye-opening for him to see the port and its vulnerability."

However, Ashcroft did not answer when he was asked about the growing budget deficit's effect on funding internal security measures such as bringing the number of FBI agents in Washington up to the per-capita average of other states.

Rather, he spoke in general terms about what he characterized as the administration's successes in the war on terrorism. He congratulated local agents and prosecutors for their work in convicting accused al-Qaida terror-camp manager James Ujaama. Ujaama recently pleaded guilty to reduced charges in return for his providing testimony and cooperation to the government in other terrorism-related cases.

About 45 demonstrators gathered in front of the Coast Guard's Pier 36 headquarters on Alaskan Way South as a woman bearing a bullhorn proclaimed: "Before he (Ashcroft) became attorney general, he ran for office against a dead man and lost," in apparent reference to Ashcroft's candidacy for the U.S. Senate from Missouri.

The demonstrators carried signs such as one reading: "Defend civil liberties, repeal the Patriot Act."

Jane Cutter set aside her bullhorn to explain that Ashcroft "is targeting immigrant communities. If they can do it to them, they can do it to you. Your rights are next."

Ashcroft defended the Patriot Act against criticism that it diminishes civil liberties. He said such criticisms are based on misunderstandings of the law. Ashcroft said the law provides federal investigators battling terrorism some of the same tools available to them in fighting such crimes as drug trafficking.

And he said that the Justice Department is exploring a legislative refinement of the Patriot Act to give federal agents even more tools to track terrorists. For example, he said that agents should be able to use administrative subpoenas to gain information about terrorist targets. Such subpoenas are currently used by the FBI to obtain records of things like toll phone calls and bank accounts.

Among the anti-terrorism officials present was Maj. Gen. Timothy Lowenberg, adjutant general of the state National Guard. Lowenberg, who is also a lawyer, said Ashcroft made a good point in noting that the Patriot Act takes well-established components of criminal law and applies them to the war on terrorism.

Asked if he is concerned that the Patriot Act diminished civil liberties, Lowenberg deferred to Congress, saying federal legislators "are the ones that should be holding hearings and taking testimony to ensure the balance struck is appropriate."

Attorney General Praises NW Law Enforcers (AP)

The Seattle Times/Associated Press, July 22, 2003

SEATTLE - Attorney General John Ashcroft praised Northwest law enforcement agencies in a visit today to Seattle.

He spoke at a Coast Guard pier with a cutter and gunboat in the background.

Outside the base, about two dozen demonstrators protested his visit. Some carried signs reading, "Defend civil liberties, repeal the Patriot Act."

In his speech, Ashcroft defended the act for "taking down the wall" between intelligence gatherers and law enforcement agencies to improve security.

Ashcroft also mentioned a couple of anti-terrorism successes in Washington: The arrest of "millennium bomber" Ahmed Ressaam, who was apprehended by Customs officials in Port Angeles while trying to enter from Canada in a car full of explosives in December 1999, and the plea bargain in which James Ujaama pleaded guilty in Seattle to conspiring to help the Taliban and agreed to testify against others.

Ashcroft visited Seattle during a swing through the Northwest to meet with an anti-terrorism task force. He said Washington faces "every challenge to security" because of its international border and coastline.

Ashcroft Cheers Terror War Victories (Tacoma News Tribune)

By Jason Hagey

The Tacoma (WA) News Tribune, July 23, 2003

U.S. Attorney General John Ashcroft delivered an upbeat progress report Tuesday on the fight against terrorism during a stop in Seattle to meet with members of Washington's antiterrorism task force.

Since the Sept. 11, 2001, attacks, law enforcement agencies have dramatically improved communication with each other, Ashcroft said during a press conference at a Coast Guard pier along the Seattle waterfront.

The result, he said, is the dismantling of terrorist cells worldwide, the seizure of millions of dollars worth of assets and hundreds of arrests.

Terrorists, he said, "have heard and felt the united power of American justice."

But law enforcement officers still need more tools, Ashcroft said, including some of the same subpoena powers already available in the war on drugs. And Washington state, with its international border and vast coastline, remains particularly vulnerable.

"It's important that we do well here," he said.

Ashcroft is the first Cabinet member to visit the region this week. Homeland Security Secretary Tom Ridge is scheduled to tour the area Thursday.

Outside the Coast Guard building, about two dozen demonstrators carried signs saying "Ashcroft Sabotages Rights" and "Civil Liberties, Bring 'em On."

The protesters said they object to the USA Patriot Act, the federal law passed in the wake of the terrorist attacks that expanded the government's surveillance and detention powers.

Elizabeth Simmons-O'Neill of Lake Forest Park brought her children to the protest. "I feel like he is trampling on the Bill of Rights, the Constitution and some of the things that make America great," she said of Ashcroft.

The crowd was smaller than one that protested Ashcroft's visit to Portland on Friday, where an estimated 200 to 250 carried signs and chanted.

Ashcroft defended the rights of the protesters. And he defended the USA Patriot Act, which he said has been broadly misinterpreted. Many of the powers it extends to law enforcement officers are equal to or less than those already given to authorities in other circumstances, he said.

For example, roving wiretaps - a provision included in the act - have been used by law enforcement officers in the war on drugs since 1986, he said.

"This tool, which we've had available to fight drug abuse, ought to be available to fight terrorists," Ashcroft said.

The right to subpoena business and library records, another controversial element of the act, has been available to grand juries in America for years in other circumstances, he added.

Furthermore, the act includes "substantial safeguards," he said, including supervision by a federal judge and oversight by Congress.

Rather than scale back the USA Patriot Act, Ashcroft said it needs to be expanded.

Ashcroft began the day by meeting with members of the Washington state antiterrorism task force. It includes representatives from dozens of local, state and federal law enforcement agencies. Some stood beside Ashcroft as he delivered a short speech and then took questions from reporters.

He cited the capture of "Millennium bomber" Ahmed Ressam, arrested by Customs officers in 1999 while trying to enter Port Angeles with a car full of explosives, and the recent plea bargain with James Ujaama, the Seattle man who pleaded guilty to conspiring to help the Taliban.

Afterward, some task force members echoed Ashcroft's statements.

Maj. Gen. Timothy Lowenberg, adjutant general of the Washington National Guard, said the anti-terrorism task force has had a "transforming effect" on law enforcement in Washington.

"The level of cooperation and sharing of information among law enforcement is really unprecedented," he said.

Washington State Patrol Chief Ronal Serpas said that by visiting the task force, Ashcroft reaffirmed his commitment to the group's work.

"When the head person says it, it means something," Serpas said.

Toughen Patriot Act, Attorney General Says (Anchorage Daily News)

CONTROVERSY: Law gives government broader powers for searches, monitoring phones.

By Katie Pesznecker And Nicole Tsong

The Anchorage (AK) Daily News, July 22, 2003

United States Attorney General John Ashcroft told federal and local officials Monday the USA Patriot Act should be expanded, not softened, even as protesters gathered nearby and the Anchorage Assembly and state Legislature have passed resolutions protesting the national anti-terrorism law.

Ashcroft charged critics with misconstruing a law that he said broadens the government's ability to nab terrorists. He would like to amplify those powers, he said.

"This is not something novel or new or different," Ashcroft said. "The Patriot Act is simply a way to extend a robust set of tools."

Ashcroft addressed Alaska's Anti-Terrorism Task Force, which includes representatives from 60 federal, state and local agencies. It's one of 93 such task forces around the United States; Ashcroft said he has personally visited about 40 of them.

The attorney general said that in the pursuit of terrorists it's critical that federal and local governments work together. Without the Patriot Act, Ashcroft said, these efforts would be "difficult if not impossible."

The act lowers legal standards for government agents to listen to private telephone calls or search homes. It also grants federal authorities wider access to citizens' personal medical, financial and school records, library records and bookstore purchases.

Congress passed it in the emotional weeks after the Sept. 11, 2001, terrorist attacks. But since then, roughly 150 local and state governments have passed resolutions protesting the act. The Alaska Legislature in May nearly unanimously passed a resolution telling local and state law enforcement to refuse to help federal agents pursuing activities approved by the act.

Last week, the Anchorage Assembly adopted a resolution requesting that Anchorage police and other city agencies refuse to help federal agents in ways that violate "the rights and liberties guaranteed equally under the state and federal constitutions."

The Anchorage Police Department isn't sure how to respond to the resolution, said Walt Monegan, acting police chief.

"The idea of sharing information that could save lives or property is very important," Monegan said after Ashcroft's speech. "No one wants to flaunt any action by the city government, but if information is shared and it saves someone, I think that's very important."

"If there is a crime, we're going to be jumping into it."

Ashcroft also met with Gov. Frank Murkowski, federal judges and Department of Justice Employees in Alaska.

Reporters and photographers covering his address were ordered not to approach within several feet of the attorney general, and after his remarks, were limited to asking a total of five questions. Ashcroft evaded answering some of them.

One reporter asked his opinion of Anchorage's and Alaska's resolutions protesting the Patriot Act.

"I believe our relationships are very good," said Ashcroft, who praised Alaska officials as having integrity and being cooperative.

What of Alaska Congressman Don Young's objections to the act? Should the act be changed?

"I think it seems to most Americans that an adjustment may be appropriate," Ashcroft said. It should expand to give federal officers more authority, he said.

He was also asked if the municipality and state can ignore the law.

Ashcroft said it's clear that public safety officers want to stop terrorists.

"Our business is to secure liberty," he added. "We don't invade or undermine it."

The Sept. 11, 2001, attacks showed the country needed better communication and interaction between agencies, Ashcroft said. That's what the Patriot Act provides, he said.

"We were always instructed and guided by the principle that we would never work outside the Constitution," Ashcroft said, in explaining the act's creation.

Critics say the Patriot Act erodes privacy and personal freedom. Interest groups across the political spectrum have called for changes.

During Ashcroft's appearance at the Hotel Captain Cook, more than 40 protesters stood in light rain outside, holding signs with messages such as "Dear John, You've Killed the American Dream," "We will not watch what we say" and "Supreme Law of the land is the constitution, not Ashcroft."

Amy Christiansen wore blue cloth around her chest and draped across her shoulder, mocking the cloth Ashcroft ordered placed over a half-nude statue at the Department of Justice last year. She said her outfit demonstrated Ashcroft's agenda, including a justice system that limits citizens' civil liberties.

"I don't feel safe in my own country," said Christiansen, 41, a veterinary technician. "I'm embarrassed to be an American."

UAA graduate student Sol Neely was openly enthusiastic about the resolutions passed by the Anchorage Assembly and the state Legislature. Alaskans are politically conservative but respect civil rights, he said.

"That makes me very proud to be in Anchorage," Neely said.

Assemblyman Allan Tesche, who sponsored last week's Anchorage resolution, said most feedback he has heard on his resolution is positive. Expanding the Patriot Act further would be a mistake, he said.

"Before we further ratchet down on civil liberties, we need to look at (the Patriot Act) and how it has been implemented," said Tesche, an attorney. "The overwhelming number of people support what we did. So I'm really proud to stand with the Legislature. We have done exactly the right thing."

Middle East Immigrants Scarce At Ashcroft Protest (Seattle Times)

By Ray Rivera

The Seattle Times, July 23, 2003

U.S. Attorney General John Ashcroft encountered minor protests during his brief stop in Seattle yesterday, as he has in most places he visits these days.

But notably absent among his sign-waving detractors were immigrants from Middle Eastern and Muslim nations.

Some fear being tagged anti-American. Others worry that being spotted at a protest - much less arrested - could spell trouble when they try to renew their visas or obtain permanent residency.

"I've had clients who have been terrified by what's happening," said Bob Free, an immigration lawyer with MacDonald, Hoague and Bayless in Seattle. "I've urged some to go to the press and make complaints and vocalize what's happening to them, and they won't because they don't trust America at this point."

Ashcroft's visit, part of a three-state swing through the Northwest, drew about two dozen protesters to the U.S. Coast Guard station at Pier 36, where Ashcroft was meeting with local and federal anti-terrorism officials.

Some of the protesters waved signs espousing socialism, some called for anarchy, and a few attacked the Patriot Act and Ashcroft's record on civil rights.

"I think that's what the Bush administration has done, try to foster fear," said protester Margaret Viggiani.

Foreign nationals had once been a common sight outside federal buildings in Seattle and across the country protesting the treatment of immigrants after the terrorist attacks of Sept. 11, 2001.

But the arrest and detention late last year of hundreds of Middle Eastern men and teenagers - mostly in Southern California - who voluntarily complied with a new federal immigrant fingerprinting and registration program sparked fears already dwelling in many immigrants.

"The perception is that if you show up to one of these your picture is going to be taken, and there might be negative repercussions that flow from that," said Ibrahim Hooper, spokesman for the Council on American-Islamic Relations, a Washington, D.C.-based civil-liberties group. "Many came from countries where a knock on the door at midnight was common, and they remember that."

Their concerns are unfounded, said Dan Kane, a spokesman for the Bureau of Citizenship and Immigration Services, an arm of the Homeland Security Department.

"Simply being present at a protest will not affect adjudication of an immigration application," Kane said. "Now if they're involved in breaking the law, and convicted of a felony, that excludes them from benefit application. Residing legally in the U.S. is a privilege granted to those without criminal history."

Most arrests associated with protests - such as disturbing the peace or disobeying a police officer - would likely have no bearing on an application, he said.

Free agreed. He said he hasn't heard of any cases where attending a protest has harmed someone's immigration status.

"Nevertheless, the fear is something subjectively they feel," he said.

Their reticence was evident last month at protests targeting local and federal law-enforcement agencies at the 48th-annual Law Enforcement Intelligence Unit (LEIU) conference in downtown Seattle. Protesters hoisted banners and walked the streets decrying an organization they deemed tantamount to a secret police force.

Rita Zawaideh was among the few Middle Eastern faces in the crowd.

"They've scared our community so much that we don't have a voice anymore," said Zawaideh, chairwoman of the Arab American Community Coalition.

Zawaideh, who came to the U.S. from Jordan in the 1950s and became a citizen in 1973, urges other Arab Americans to speak out at rallies. But for immigrants whose citizenship status is uncertain, her advice is quite different.

"We tell them to be very careful," said Zawaideh. "In the Middle East we used to say the walls have ears, because we had to be very careful of what we said for fear of who might be listening. Well, that's the phrase we use in the U.S. now."

In Portland on Friday, Ashcroft drew about 250 protesters. Again, few faces of color, said Jon Pfaff, a Seattle resident who attended.

"I think they have a damn legitimate concern," Pfaff said of immigrants. "I think anyone who is not white and who does not lean to the ultra-Christian belief is in deep trouble."

Delila Leber represents people in immigration proceedings for the Northwest Immigrant Rights Project. She said the organization seldom advises clients to avoid rallies. But if their citizenship status is pending, it comes with risks, particularly if it leads to interaction with police.

"Anytime there's an interaction with local or state law-enforcement authorities, there's a chance they could be interviewed and detained by immigration," Leber said.

Critics say the concerns have been justified by the Justice Department's own inspector general, who in a report released last week identified dozens of recent cases in which department employees have been accused of serious civil-rights violations in the enforcement of the USA Patriot Act. That followed allegations made last month in a separate inspector general report of deeper problems with the department's treatment of hundreds of illegal immigrants detained after the Sept. 11, 2001, attacks.

In a brief news conference with reporters yesterday, Ashcroft defended the Patriot Act, saying it has been misinterpreted and has actually preserved civil liberties.

Many of its features - including roving wire taps and access to library records - have been available to prosecutors and grand juries for years in the fight against drugs and other crime. The Patriot Act, he said, makes those same tools available in the fight against terrorism.

Ashcroft also defended the right of people to protest.

"That's what America is all about," he said. "And my job is to secure the right of people to speak freely."

Ashcroft, Ujaama: The Boys Are Back In Town (Seattle P-I)

Column By Robert L. Jamieson Jr..

The Seattle Post-Intelligencer, July 23, 2003

John Ashcroft's "Bustin' Bad Boyz" Tour rolled through Seattle yesterday. The nation's band leader of anti-terror was crooning his greatest hits.

Had Ashcroft been inclined, he could have moseyed down 10 miles south of his news conference at Pier 36 and held a jam session with a prize catch few people even knew was back in town: James Ujaama.

Ring a bell?

Ujaama is our very own Seattle Taliban, the local guy with Afghan ties.

He pleaded guilty and was quietly whisked far away this spring to Homeland Security's Never Never Land.

But he returned to Seattle more than a week ago. Ujaama reportedly had been in New York to testify before a grand jury investigating a London cleric suspected of recruiting for al-Qaida.

Given the history between John (the law) and James (the lawbreaker), one would have thought this terror-twined duo would be up for a reunion.

But Ashcroft didn't call.

He didn't write.

Just like a G-man!

"I haven't heard from John Ashcroft asking to visit my client," Ujaama's attorney Robert Mahler said yesterday with a hearty chuckle. "I'm sure that's not going to happen."

A journalist can always hope, right?

If Attorney General Ashcroft had inquired, he would have discovered his homeboy is doing fine and has been quite busy since slipping from the headlines.

Ujaama is being held at the federal detention center in SeaTac, where, in exchange for his cooperation, he is serving two years out of a possible 10-year-sentence.

He could be out of prison as early as April.

He has lost some weight, largely as a result of a stomach ailment that has been worsened by stress. His hair is grayer. Otherwise, he looks pretty good.

Ujaama's mother, Peggi Thompson, has visited her son four times since his recent return. When she had gone to see him back in April, she was told she couldn't see him. She didn't even know if he was there. "They told me they had 'no information,'" Thompson said. "I went off. I lost it."

For months she didn't know about his fate.

Letters sent to her son vanished.

Books were returned.

The war on terrorism made Ujaama the invisible man.

Last week, Thompson hugged her son for the first time in a long time. Ujaama's 77-year-old grandmother, who uses a walker and is in failing health, was there, too.

Ujaama was relieved; he feared time would run out before he saw his grandmother again.

Ujaama meets with visitors in an airy detention center room. The place is full of creative works by inmates, including vibrant paintings of city and state landmarks.

Ujaama softly talks about many things: his extended family, which just held its biennial family reunion; his 13-year-old son, Karim, who recently visited him; and his future, which might include higher education.

He recently requested a catalog from Florida A&M University, a college many of his relatives have attended.

Ujaama will talk about most anything -- but not everything. He doesn't want to jeopardize his plea deal with Uncle Sam.

So he has to be mum when it comes to discussing his hearings, his testimony or the terror-related charges. (He pleaded guilty to violating the International Economic Emergency Powers Act, for providing computers and money to the Taliban.)

Ujaama is allowed to mingle with other prisoners. He spends a lot of time sleeping. And, he says, he writes, hours upon hours each day.

It might all lead to a book, and while it's too early for a working title, his mother suggests a possible one: "Can This Really Be Happening? Why not? You're in America!"

Just kidding, she quickly adds.

But there is a kernel of truth in her joke.

"All this big stink the government raised over James and look at the plea they agreed to? Something's not right," she says. I couldn't agree with her more. If he really committed a heavyweight crime, he got a featherweight sentence.

Ujaama did admit to some wrongdoing and does accept the punishment. He says he just wants to finish doing his time, reclaim his life and speak out for justice -- something he's been doing his whole life.

Ujaama would have told all of this to Ashcroft had the AG bothered to pay a visit.

But Ujaama understands. And so do I.

Ashcroft is a busy man. He's on tour, rockin' and rollin' America as we know it, trampling our civil rights, shredding the Constitution, all in the name of the "Patriot Act."

Is that really how a patriot acts?

House Takes Aim at Patriot Act Secret Searches (Reuters)

By Andrew Clark

Reuters, July 22, 2003

WASHINGTON (Reuters) - The U.S. House of Representatives voted overwhelmingly on Tuesday to roll back a key provision, which allows the government to conduct secret "sneak and peek" searches of private property, of a sweeping anti-terrorism law passed soon after the Sept. 11 attacks.

The House voted 309-118 to attach the provision to a \$37.9 billion bill funding the departments of Commerce, State and Justice. It would be the first change in the controversial USA Patriot Act since the law was enacted in October, 2001.

The move would block the Justice Department from using any funds to take advantage of the section of the act that allows it to secretly search the homes of suspects and only inform them later that a warrant had been issued to do so.

Supporters of the change say that violates both the U.S. Constitution and the long-standing common law "knock and announce" principle -- which states the government cannot enter or search private property without first notifying the owner.

"Not only does this provision allow the seizure of personal and business records without notification, but it also opens the door to nationwide search warrants and allowing the CIA and NSA to operate domestically," said the amendment's sponsor, Idaho Republican Rep. C.L. "Butch" Otter.

The Justice Department recently told Congress that it had already executed 47 "sneak and peek" searches and had sought to delay notification of search warrants in a total of 250 cases, said Ohio Democratic Rep. Dennis Kucinich.

"I would suggest to you that just one would constitute a threat to our Bill of Rights," he said.

The Patriot Act, which granted broad new powers to U.S. law enforcers, was passed by Congress with little debate in the immediate aftermath of Sept. 11 and signed into law by President Bush just six weeks after the attacks.

Since then, it has come under increasing criticism from lawmakers and civil liberties advocates from both ends of the political spectrum. The House is now expected to pass the broader spending bill on Wednesday.

"Given its overwhelming passage this evening, the amendment is highly significant and a herald of more fix-Patriot measures to come," said Laura Murphy, director of the American Civil Liberties Union's Washington legislative office.

U.S. Attorney General John Ashcroft -- who has become a lightning rod for concerns over the possible erosion of U.S. civil liberties -- defended the Patriot Act on Monday, saying criticism of it was based on exaggerations and falsehoods.

Maria's Owner Offers Petition To McInnis (Durango Herald)

By Jennifer Kostka

The Durango (CO) Herald, July 22, 2003

Three Durango bookstores and two libraries gave their petition opposing a section of the Patriot Act to U.S. Rep. Scott McInnis' local office Monday with hopes that its 1,179 signatures influence the congressman.

Peter Schertz, owner of Maria's Bookshop, began a local petition drive six weeks ago to show support for the Freedom to Read Protection Act. The act seeks to overturn Section 215 of the Patriot Act, which allows federal investigators to obtain customer-purchase and library-usage records and monitor Internet traffic at public computer terminals without notification or court order.

Maria's Bookshop, The Bookcase, Southwest Book Trader, the Durango Public Library and Reed Library at Fort Lewis College displayed the petition for people to sign.

"It's a logical cause for all of us," Schertz said.

Schertz decided to take the petition to McInnis' office two weeks earlier than planned because of an amendment to the 2004 Commerce, Justice, State and Judiciary Appropriations Bill that Congress may consider soon. The amendment would eliminate U.S. Justice Department funding for searches of bookstore and library records under the Patriot Act, according to the American Booksellers Foundation for Free Expression, an organization that supports causes for independent bookstores. Schertz learned about the amendment through the organization.

McInnis, R-Colo., has said in the past that he would not support the Freedom to Read Protection Act because he does not want to take away tools from the people who are trying to protect U.S. citizens. Blair Jones, McInnis' press secretary, said Monday that McInnis receives several petitions every month, and he will review this petition.

On Monday afternoon, Schertz handed the petition, which was at least an inch thick, to Jane Zimmerman, McInnis' Durango office manager. Zimmerman said she would mail it to McInnis' Washington, D.C., office.

Schertz also plans to give a copy of the petition to Sen. Ben Nighthorse Campbell, R-Colo.

Jon McClure, owner of The Bookcase, said customers at his store filled about a dozen pages with signatures of support.

"I'm just another citizen that has his own feelings," McClure said. "I can only hope that representatives will listen to some of the people they're supposed to represent."

Customers at Maria's seemed to support Schertz's effort, he said. Many people came into the store only to sign the petition.

"There's a lot of out-of-towners, which I think is positive," Schertz said. "It shows a lot of widespread support."

Earlier this month, Durango city councilors unanimously approved a resolution that opposes certain provisions in the Patriot Act. The resolution directs city employees and the Durango Police Department to take no action that would conflict with or impair constitutional rights or civil liberties. It also requires them to report any direction from federal officials that would cause them to violate the resolution.

Other cities throughout the nation have passed similar resolutions against the Patriot Act.

Ashcroft Gets Bad Rap (WT)

Op-ed By Jonah Goldberg

The Washington Times, July 23, 2003

My wife is an aide and senior speechwriter to Attorney General John Ashcroft. This can be a big drag. First of all, I know she knows all sorts of cool stuff - the real score on Osama, where Jimmy Hoffa's buried, how Col. Sanders puts an addictive chemical in his chicken - and just won't tell me.

But on a day-to-day basis, the most annoying aspect is that whenever I mention John Ashcroft, I have to follow it up with "great dancer." Oops, I mean "full disclosure." And for some readers that "full disclosure" actually means "don't believe anything I say." The fact that my wife works for the AG means that I'm automatically in the tank for him.

What makes this so annoying is that I honestly don't understand what Ashcroft has done wrong.

According to a recent article by Adam Nagourney of The New York Times, there is no single figure more universally loathed by liberals, Democrats and - Nagourney seems to imply - all intelligent and decent carbon-based life forms.

But let's start with Democrats. "In my first five seconds as president, I would fire John Ashcroft as attorney general," Rep. Richard A. Gephardt of Missouri recently told a cheering audience of Hispanic leaders in Phoenix.

"We cannot allow people like John Ashcroft to take away our rights and our freedoms," Senator John Edwards of North Carolina told an audience in Concord, N.H., "drawing a nearly instantaneous standing ovation," Nagourney wrote.

John Kerry promises that "When I am president of the United States, there will be no John Ashcroft trampling on the Bill of Rights."

Chris Lehane, Al Gore's former press secretary and now an adviser to Sen. Kerry, told the Times, "Ashcroft has become a symbol of ideas and doctrine and ideology that are just unacceptable in the Bush administration." He continued, "He is a living, breathing troglodyte who happens to run the Justice Department."

Nagourney even approvingly quotes a student from Dartmouth who says, "I think he might be the most loathed man in America."

This is all nonsense on stilts - on top of a ladder, on the roof of a very tall building. First of all, someone needs to tell these people that America isn't populated entirely by irrational liberal Ashcroft-phobes.

A Harris Interactive poll last month found that 54 percent of respondents had a positive view of Ashcroft's job performance and only 32 percent had a negative view. This makes Ashcroft more popular than Al Gore, Ted Kennedy, Joe Lieberman, Hillary Clinton, Dick Gephardt or John Kerry. His positive rating is higher than the Congressional Democrats as a group and

Congressional Republicans as a group. He is 20 points more popular than the avuncular Denny Hastert and a few points better than Dick Cheney.

Now I don't put much stock in polls, and I'm sure other polls say different things, but only someone deeply enmeshed in groupthink could believe that Ashcroft is the most hated man in America. It reminds me of when Richard Nixon said that it's obvious the world's overpopulated since everywhere he goes he sees huge crowds.

The Ashcroft-haters also say that all clear-thinking, liberty-loving people know that Ashcroft's demon child - the Patriot Act - is a Great Evil. The problem is that 99 percent of these people don't know what they are talking about. When I ask people why they think my wife's boss is the devil or what's wrong with the Patriot Act, I get ill-informed mush or untrue propaganda.

Just to be quick: Despite the ACLU's insistence that the Patriot Act gave the executive branch "sweeping new powers that undermine the Bill of Rights," all of the snooping, sneaking, spying and other prying powers allegedly granted to the Feds still have to be approved by judges, as always.

Most of these powers already existed for criminal investigations, but the government thought it might be a good idea to use them against al-Qaida as well as the mob. What about the government's newfound power to read all of your e-mail through systems like "Carnivore"? Well, maybe that should bother you, but the Patriot Act constrained the scope of the government to use Carnivore, not the other way around.

I'm not saying a sane person cannot quibble with the Patriot Act or that you have to be crazy to dislike John Ashcroft. But the rhetoric is so far above the reality on both scores, it makes many people and institutions look crazy.

In fact, the Patriot Act is so reasonable it passed the Senate 98 to 1 and the House by 357 to 66. Indeed, with the exception of Dennis Kucinich, all of the senators and representatives currently running for president on John Ashcroft's back voted for it.

So again, I ask, what in the world are these people talking about?

Jonah Goldberg is editor at large of National Review Online.

Being John Ashcroft (Boulder Daily Camera)

Ducking responsibility, grabbing power

Editorial

The Boulder (CO) Daily Camera, July 23, 2003

Being John Ashcroft means never having to say you're sorry. When the U.S. Justice Department is indicted for civil-liberties abuses, Attorney General Ashcroft changes the subject. And demands more power.

Last week, the Justice Department's Office of the Inspector General released its third regular report on the implementation of the USA PATRIOT Act. The report revealed dozens of "credible allegations" of civil-rights and civil-liberties violations.

The inspector general, an independent investigator, reported that in the six months prior to June 15, the office received 1,073 civil-liberties complaints, 272 of which fell under the inspector general's jurisdiction. Some 34 complaints were deemed "credible."

In one case, a prison officer verbally abused a Muslim inmate and ordered the man to remove his shirt so the officer could use it to shine his shoes. The Justice Department concluded that the claim was "unsubstantiated." The inspector general, however, corroborated the story.

That case was among scores alleging a non-criminal but very virulent display of anti-Muslim bias. During a physical examination, for instance, one prison doctor told an inmate, "If I was in charge, I would execute every one of you ... because of the crimes you all did." The physician allegedly treated other inmates in a "cruel and unprofessional manner." The doctor received a verbal reprimand.

The report also revealed other investigations including: alleged unnecessary body-cavity searches, denial of arrestees' access to lawyers, illegal searches of an Arab-American's apartment, and the beating of detainees.

The Justice Department downplayed the report. Spokeswoman Barbara Comstock said "the small number of credible allegations will be thoroughly investigated."

Meanwhile, Ashcroft's reaction was incredible. This week, he said the USA PATRIOT Act (the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act) should be broadened, so the government would have greater powers of secret detention, warrantless search, and citizen surveillance.

Ashcroft has used this diversionary tactic before. Last month, the inspector general released a 239-page report identifying "significant problems" in the Justice Department's treatment of the 762 foreigners held after 9-11. The detainees, suspected of relatively trivial immigration offenses, were secretly held for long periods without charges, without access to attorneys, and often with physical or verbal abuse.

In response, the Justice Department made "no apologies" for trying to protect America. And just after the report's release, Ashcroft told Congress that his department, which had just been accused of abusing its power, deserved more power. The PATRIOT Act, he said, has "several weaknesses which terrorists could exploit."

Ashcroft and his minions, downplaying allegations of invasive PATRIOT actions, note the relatively small number of credible complaints, as if 60 abuses a year were trivial.

Furthermore, the Justice Department won't reveal - and the inspector general can't determine - the more insidious PATRIOT Act abuses. The law opens the door to widespread surveillance of innocent citizens. But these civil-rights incursions are under-reported for obvious reasons: We don't know when the government is watching us. Furthermore, the PATRIOT Act makes it a crime even to acknowledge the existence of certain kinds of surveillance.

This week, Ashcroft dismissed any "so-called invasion" of privacy as "falsely reported and non-existent." This comes from a man who seems profoundly averse to admit any error and deeply fond of government stealth. Should he get even more power to act secretly and unaccountably? Any answer but "no" would be incredible.

Patriot Act Excess (Albany Times-Union)

A second report by Justice Department investigators cites allegations of abuses

Editorial

The Albany (NY) Times-Union, July 22, 2003

For the second time in as many months, the Justice Department stands accused of trampling civil liberties in the name of fighting terrorism. That would be unsettling enough. What makes the latest warning even more alarming is that, once again, the accuser is none other than the department itself.

In June, Glenn Fine, the department's inspector general, released a report that accused department officials of mistreating illegal immigrants suspects by, among others things, denying them regular contact with attorneys and family, and failing to inform them of the charges against them. In one holding center in Brooklyn, suspects were physically abused, Mr. Fine reported.

Now comes another report that catalogs more incidents of alleged abuse. The report, a copy of which was given to The New York Times by Rep. John Conyers, D-Mich., includes charges that civil liberties were violated by department employees. While most of the workers cited are employed by the Bureau of Prisons, allegations were also made against employees of the FBI, the Drug Enforcement Administration and the Immigration and Naturalization Service -- all of which have broad enforcement powers under the USA Patriot Act. That legislation was passed in the days after the Sept. 11 terror attacks against the World Trade Center and the Pentagon, when the American public was demanding new homeland security measures, and when Congress was only too willing to comply. Besides broad powers to detain suspects, the Patriot Act also enhances government secrecy and thus diminishes public accountability for official wrongdoing.

Most of the latest allegations of abuse are still being examined, although a few have been substantiated by department investigators. They include accusations that a federal prison doctor subjected Arab and Muslim inmates to verbal abuse and treated them in a cruel and unprofessional manner.

When Mr. Fine's June report was issued, Justice Department officials were quick to promise that they would vigilantly protect civil rights and civil liberties. In one sense, the latest report is a sign that the department is indeed keeping watch to ensure that these rights are being upheld. But in another sense, the fact that there are now back-to-back reports indicates that more vigilance is needed.

The question is, how much more? And another question: Who will know when all the proper safeguards are in place? It will be hard to get the answers when the emphasis is on secrecy. It's past time for Congress to reform this legislation and make government more -- not less -- accountable for its actions.

Violating Civil Rights Undercuts Our Cause (Daily Astorian)

Abuses in Justice Dept. report should alarm congressional watchdogs

Editorial

The Astoria (OR) Daily Astorian, July 22, 2003

The USA Patriot Act helped unleash an ugly and disturbing period of racism among a few U.S. Justice Department employees, according to a new report by the department's inspector general.

From Dec. 16 through June 15, the inspector received 1,073 complaints "suggesting a Patriot Act-related" abuse of civil rights or civil liberties, according to a Monday story in The New York Times.

Most were rejected out of hand as either being impossible to prove or not credible, but 272 were worthy of further investigation, of which at least currently 34 appear likely to violate Patriot Act provisions aimed at avoiding these types of abuses. Alleged abuses range from beatings to cruel verbal abuse of Muslim and Arab inmates in federal detention centers.

In response to the report by Inspector General Glenn A. Fine, who is a semi-independent watchdog, a Justice Department spokeswoman said the department takes seriously its responsibilities. But as with an earlier report on Patriot Act abuses, she and the department as a whole prefer to minimize the issue, stressing "the small number of credible allegations."

That thoroughly misses the point. While no one would suggest the Justice Department is dominated by racists or that the Patriot Act is uniformly rotten, there is no more important issue than rooting out anyone in federal law enforcement who would apply a racist jackboot to the backs of immigrants caught up in the post-9/11 furor.

If there are 34 sure-fire examples of abuse, it's virtually certain many more examples exist for which there were no objective witnesses. The department must investigate all such accusations with the same enthusiasm it puts into defending itself and trashing its political enemies.

In wartime, it seems virtually inevitable that some citizens will improperly tar all members of certain racial and ethnic groups. In the wake of 9/11, the Justice Department has acted with commendable professionalism in dealing with examples of race crimes by private citizens against people of Middle Eastern origin.

But in minimizing and downplaying abuses by federal employees, it seriously undercuts its own case for continuation of the broad powers granted by the Patriot Act. We have every right to insist that federal agents, guards and others act with scrupulous attention to due process and basic fairness. Anything less calls into question the legitimacy of our actions and our government.

Having said this, it also must be said that federal employees also deserve a presumption of innocence until proven guilty. A witch hunt for transgressors must not ensue, not that there is much danger of that in this administration.

All citizens and all residents should be treated with respect, courtesy and a ringing awareness of Constitution's clear directives. Our nation is one of immigrants. Successive waves of people have arrived on these shores from countless places, bringing with them a treasure of brains, spirit, bravery, sweat, love and, yes, patriotism.

This is a time to nurture and protect Americans of Muslim and Arab origin, to make them proud and happy about their choice of a home. The Justice Department should be leading the way.

Justice And The Suspects (SF Chronicle)

Editorial

The San Francisco Chronicle, July 22, 2003

AN UNSETTLING report by the internal watchdog of the U.S. Justice Department serves as a reminder that use of the so-called Patriot Act to guard Americans from terrorism must not veer into abuse of innocent people's civil rights.

A new semi-annual accounting given to Congress by Inspector General Glenn A.

Fine as part of his statutory duty said there were 34 "credible" complaints of civil rights violations by department employees in the six months ended June 15. Included were charges that Arab and other Muslim immigrants held at federal detention

centers had been beaten or verbally abused. Targets of such complaints are employees of the federal Bureau of Prisons, the FBI, the Drug Enforcement Administration or the Immigration and Naturalization Service.

Examples of alleged abuse of illegal immigrants held in the search for terrorists are a prison doctor telling an inmate that "if I was in charge, I would execute every one of you," and a guard telling a detainee to remove his shirt so the guard "could use it to shine his shoes."

In an earlier report, Fine cited mistreatment of hundreds of illegal immigrants, with no known links to terrorism, in the weeks after the Sept. 11 attacks. The top leadership of the department under U.S. Attorney General John Ashcroft stood unapologetic on the ground of "aggressively protecting innocent Americans from another terrorist attack." But perhaps because of Ashcroft's desire for expanded powers under the Patriot Act, the department then embraced many of Fine's recommendations for deciding who should and should not be considered terrorist suspects, and how they should be treated.

The case for respecting everyone's rights under U.S. law requires no argument. But Inspector General Fine's scrutiny of the Justice Department's performance is sadly needed.

Report On 9/11 Cites Numerous Missed Clues (WSJournal)

The Wall Street Journal, July 23, 2003

WASHINGTON -- The Central Intelligence Agency and the Federal Bureau of Investigation missed numerous clues in the months leading up to the Sept. 11, 2001, terror attacks, but correcting any of those lapses wouldn't have stopped the plot, according to a report of the House and Senate intelligence committees due out Wednesday -- 22 months after the attacks.

"This inquiry has uncovered no intelligence information in the possession of the intelligence community prior to the attacks of Sept. 11 that if fully considered would have provided specific advance warning of the details of those attacks," the report states, according to two people with copies.

Nonetheless, U.S. authorities come in for heavy criticism for failing to communicate with one another and missing a series of clues, people familiar with the report said. The report says, for instance, that President Bush was warned a month before the attacks that al Qaeda wanted to strike targets in the U.S., possibly with airplanes. That and other information in the report has been aired before.

The report renews questions about the role of the Saudi Arabian government, but the answers remain ambiguous -- in part because the Bush administration has refused to declassify a 28-page section of the report addressing that issue.

The report devotes considerable attention to the activities of two hijackers, Khalid al-Mihdhar and Nawaf al-Hazmi, who were on a nationwide law-enforcement watch list, and their ties to a Saudi man named Omar al-Bayoumi.

Newsweek magazine reported Mr. Bayoumi visited the Saudi consulate in Los Angeles before coming in contact with the two men, but an FBI official cast doubt on the report and said Mr. Bayoumi had a reasonable explanation for financial help he gave the men.

9/11 Report: No Evidence Of Critical Mistakes (LATimes)

By Richard B. Schmitt and Josh Meyer

The Los Angeles Times, July 23, 2003

WASHINGTON - A long-awaited congressional report looking into the events leading up to the terrorist attacks on Sept. 11, 2001, broadly criticizes the U.S. intelligence community for failing to anticipate the possibility of such an attack, but finds no specific evidence that officials ignored or missed warning signs that would have enabled them to foil the plot that killed about 3,000 people, congressional and law enforcement sources said Tuesday.

The 900-page report is to be released Thursday after months of haggling between congressional investigators and intelligence authorities over which portions of the hefty document should be declassified or remain top secret. A preliminary version detailing a summary of the concerns was published last winter.

The report is the product of months of hearings and testimony last year before a joint intelligence panel, which unearthed evidence that the FBI and CIA mishandled clues and warnings in the years and months preceding the attacks. The hearings gave impetus to the creation of a bipartisan federal commission being led by former New Jersey Gov. Thomas Kean that is separately investigating the attacks. The commission is due to complete its work next year.

The congressional report provides new hues and shades to an already dim portrait of U.S. preparedness before the attacks.

Although the report's general outlines have been previously known, the timing of its release and the light it is expected to shed on what Bush administration officials knew in advance of the attacks comes at a politically sensitive time - as the administration attempts to fend off criticism that it relied on faulty intelligence about Iraqi plans to develop weapons of mass destruction before going to war.

Some Democratic presidential contenders are already attempting to make hay from that. During a quick swing through Los Angeles on Monday night, Sen. Bob Graham of Florida, the former chairman of the Senate Select Committee on Intelligence, criticized the administration's unwillingness to release the full body of the report.

"I am a very angry man tonight, being informed of what portions of the report are going to be withheld from the public," Graham told about 40 members of Democratic Leadership for the Twenty-First Century, a group of young Democrats gathered in a dimly lighted cabaret on Wilshire Boulevard.

"I start from the premise that in a democracy, the people should know as much as the government knows unless there is a very compelling case that the information threatens American security interests," Graham said. "I think a different standard has been applied to this report, and that is, 'What is it that reduces the embarrassment to agencies that acted in an incompetent manner?'"

Still, the report takes the intelligence community to task for failing to share terrorism-related information they had independently gathered before Sept. 11, including a previously reported episode in which the CIA failed to pass along to the FBI and other agencies intelligence linking two of the hijackers living in the San Diego area to the Al Qaeda network and the 2000 bombing of the destroyer Cole in Yemen until a few weeks before the attacks on the Pentagon and the World Trade Center. The men were among those who commandeered the jetliner that crashed into the Pentagon.

The report asserts that intelligence forces failed to fully appreciate and anticipate the threat posed by Al Qaeda before the attacks and, according to one person familiar with the report, paints a "fairly startling" picture of how Al Qaeda operations chief Khalid Sheikh Mohammed freely traveled to and from the United States in the years before the attacks.

It also provides tantalizing details about the two hijackers' relations with a San Diego man suspected of having ties to the Saudi government and an FBI informant who was also their landlord. The FBI has asserted that the informant had no way of knowing that the men might have been involved with terrorism, and that he subsequently passed a polygraph test.

Although the report apparently does not find clear evidence that the Saudis may have even indirectly bankrolled the hijackers, it raises more questions than it answers about the link and criticizes the FBI for not investigating more aggressively, people familiar with the report said. A 28-page section that includes criticism of the Saudi government and the level of its interest in Muslim extremism, moreover, has been heavily censored in the final version, these people said.

"This inquiry has uncovered no intelligence information in the possession of the intelligence community prior to the attacks of 9/11 that, if fully considered, would have provided specific advance warnings of the details of those attacks," the report found, according to a person who has read it.

But it continues: "The task of the inquiry was not, however, limited to a search for the legendary, and often absent, 'smoking gun.'"

Some of its recommendations are already being implemented, including creation of a terrorism information center that will fuse all known intelligence into a central location and improvement in the FBI's domestic intelligence-gathering capability.

Senior FBI officials say that they have received ample indications that the report will single the bureau out for much of its harshest criticism, saying agents failed to try to "connect the dots" and possibly uncover the 19 hijackers' activities in the U.S. before the attacks.

In the report, the FBI is sharply criticized for not aggressively investigating the activities of several Saudi men living in San Diego who spent time with the two hijackers, Khalid Almihdhar and Nawaf Alhazmi. Among those men is Omar al Bayoumi, who was suspected by some local Muslims of being an agent of the Saudi government.

The report, according to the FBI official, details how Al Bayoumi aided the two future hijackers, including helping them pay their security deposit and rent on a San Diego apartment. An unidentified FBI source, the report said, told agents that Al Bayoumi appeared to be an "intelligence officer" for Saudi Arabia or another Islamic country.

According to the FBI official, the report discloses that, on the same day he met Almihdhar and Alhazmi by chance at a Los Angeles restaurant, Al Bayoumi met with officials at the Saudi consulate. The report says that Al Bayoumi overheard the two men speaking Arabic in the restaurant, befriended them, and invited them to San Diego, another person familiar with the report said.

But the FBI official said congressional investigators were not able to determine the details of the consulate visit, including with whom Al Bayoumi met and what was discussed.

FBI officials have said they investigated Al Bayoumi and weren't able to establish he had any terrorist leanings or posed a threat or was involved in the hijackings. For years, the FBI and CIA have been concerned about the Saudi government's funding of radical Islamist causes, including some in the U.S.

"We don't know that he's an agent," said one FBI official, who confirmed that the report goes into great detail speculating on Al Bayoumi's possible links to Saudi authorities and the two hijackers. "That is the assessment based on one individual's feelings because of his contacts with him. But it's not based on any substantive knowledge that he was working for or with the Saudis."

Another senior federal law enforcement official said the congressional report jumps to conclusions that cast an unfairly harsh light on the bureau's counter-terrorism agents, particularly by questioning whether they failed to detect some as-yet unproven link connecting Al Bayoumi, the Saudi government and the hijacking plot.

"That's a big stretch," said the senior federal law enforcement official. "The Saudis provide a lot of financial assistance to students and other visitors. It doesn't imply complicity."

Nail al Jubeir, a spokesman for the Saudi Embassy in Washington, said the Saudi government fears that it will be made a scapegoat in the report because of its long-standing history of providing aid to any and all Saudis in the U.S. He said that Saudi officials did nothing to knowingly help anyone involved in terrorism, particularly the two hijackers, and that Al Bayoumi has never worked in any intelligence-gathering capacity for the Riyadh government.

"We're not going to comment on something we haven't seen, and it is unwise to speculate," Jubeir said of the congressional report. "Sadly, [almost] no one has actually seen the report but everyone has an opinion about it, and about things that may or may not be there. We have seen that in the past, that people run with things that are difficult to refute that in some cases turn out to be not true."

Al Bayoumi has "no connection" to the Saudi government, said Jubeir, who noted that Al Bayoumi was detained in the United Kingdom for a week after Sept. 11 at the request of the FBI and that its agents questioned him before letting him go.

"He was not an intelligence officer," Jubeir said. "He is not and was not an intelligence officer. But we have made it clear that if the FBI wants to question him [again] and any other Saudi Arabian citizen, they can come through us and we will make them available."

"People are jumping through hoops here trying to make connections where there is no connection," Jubeir said. Al Bayoumi, he added, "was a student in Los Angeles; and in Saudi culture, like other cultures, people congregate around other people from the cultures they know."

9/11 Hijackers' San Diego Contacts Detailed By Lawmakers' Report (WPost)

By Susan Schmidt

The Washington Post, July 23, 2003

Two San Diego men who had been investigated by the FBI for suspected ties to international terrorists had substantial contact with some of the Sept. 11, 2001, hijackers, according to a congressional intelligence report on the attacks that is scheduled for release tomorrow.

The men -- a Muslim cleric who grew close to hijackers Nawaf Alhazmi and Khalid Almihdhar, and a business owner who employed Alhazmi -- were on the FBI's radar screen well before the attacks in New York and on the Pentagon, according to government sources who have reviewed the declassified findings of a joint House-Senate inquiry into intelligence failures before the terrorist strikes.

The new disclosures indicate once again that the FBI was tantalizingly close to some of the terrorists in the months before the attacks, and suggest that some of the hijackers had deeper connections in the United States than was previously known.

The inquiry has not uncovered new intelligence in the possession of the intelligence community "prior to the attacks of September 11 that, if fully considered, would have provided specific advance warning of the details of those attacks," the report concluded, according to the sources.

The panel said the attacks could not have been prevented had the intelligence gathered by the FBI and the CIA been better handled. It said it is impossible to conjecture what would have happened had more connections been drawn.

The 800-plus-page report is the result of months of hearings conducted last year and includes material from some of the 13 closed-door sessions with intelligence officials, as well as a synthesis of information generated in nine public meetings. The panel has spent more than six months in negotiations with the administration and intelligence agencies over how much of the material would be declassified.

Among the findings:

- Past and present national security officials complained that, with the exception of Britain, European nations did not view al Qaeda as a serious threat before the attacks. The panel found that al Qaeda plotters found a haven in Germany, where, because of civil liberties concerns, laws -- since changed -- did not prohibit membership in, or support for, terrorist organizations.

- Religious pronouncements, known as fatwas, from al Qaeda leaders and radical Muslim clerics targeting Western interests -- notably Osama bin Laden's 1998 declaration of war on the United States -- did not receive the notice or attention they should have.

- Intelligence agencies still do not know all of the hijackers' activities or the contacts they made while they were in this country.

- On Aug. 27, 2001, Spanish police intercepted a telephone call that may have been a cryptic warning of the attacks. The recipient of the call, Imad Eddin Barakat Yarkas, met twice with bin Laden and had contacts with hijack leader Mohamed Atta and attack planner Ramzi Binalshibh. The report shows that Yarkas was told: "We have entered the field of aviation and we have even slit the throat of the bird," a reference, the FBI believes, to the American eagle.

After the hearings last year, the panel found that the FBI and the CIA had not grasped the magnitude of the terrorist threat on U.S. soil and did not pursue leads or share information that might have unraveled the plot.

Among the new facts the report provides is more information about the contacts several of the hijackers had with members of the Muslim community in San Diego, including the two men who had already come to the FBI's attention over their possible connection to terrorists. Previously disclosed information developed by the panel showed that the two hijackers had rented a room in San Diego from an FBI informant, and that two Saudi men who aided them financially received significant sums of money from Saudi Arabia.

New details in the report show that a San Diego business owner who hired Alhazmi was associated with a Palestinian terrorist group and had been a subject in several FBI investigations dating to 1991, the sources said. The man, a U.S. citizen whose name is deleted in the report, made various threatening comments to the San Diego police, the report said, including that Americans should be "killed" for what the United States had done to Iraq in the Persian Gulf War and that the country "needed another Pan Am 103 attack and that he would be the one to carry it out."

In January 2000, the FBI opened a new investigation on the business owner after the brother of a known bin Laden operative was seen getting into his car at a mosque parking lot, according to the report. A year later, the man's stockbroker contacted the FBI, saying the businessman had cleared out his account and had announced that he was sending money to freedom fighters in Afghanistan.

After the Sept. 11, 2001, attacks, the business owner told the FBI that he had hired Alhazmi upon receiving a call from mutual friends at San Diego's Saranac Street mosque who had recommended him.

The report concluded that the two hijackers were close to an imam at the mosque, and that when the imam moved to Falls Church in 2001, they moved to Falls Church as well, making contact with people at his new mosque, Dar al Hijrah.

According to the report, the imam was the subject of an FBI counterterrorism probe in 1999, and attracted the attention of the FBI again in early 2000 because of his contact with an associate of Sheik Omar Abdel Rahman, the blind cleric imprisoned for his role in the first World Trade Center bombing.

While the imam is not named in the report, law enforcement sources confirmed that he is Anwar Aulaqi, a Yemeni who left the United States in March 2002. After the Sept. 11, 2001, attacks, Aulaqi told reporters at the San Diego Union-Tribune that he did not know Almihdhar and Alhazmi. In a chat on the IslamOnline.net Web site on Sept. 17, 2001, Aulaqi suggested that Israeli intelligence agents might have been responsible for the terrorist strikes and that the 19 men named by the U.S. government were framed.

"It appears that these people were victims rather than hijackers. It seems that the FBI went into the roster of the airplanes and whoever has a Muslim or Arab name became the hijacker by default," Aulaqi wrote.

A government official said U.S. law enforcement has concluded that Aulaqi knew the San Diego hijackers but that he did not have advance knowledge of their plans.

Some panel members, among them then-chairman, Sen. Bob Graham (D-Fla.), have said that the inquiry received a great deal of declassified information but that they remain frustrated that portions of the report, including a section on the role of foreign governments, have been excised.

Weapons Of Mass Redaction (NYTimes)

By MAUREENDOWD

The New York Times, July 23, 2003

This correspondence from the Office of the Vice President to the ambassador to the U.S. was redacted by the Office of the Vice President for national and electoral security reasons:

Dear Prince bin ,

Thank you, my friend, for the falcon. It survived the trip on your Gulfstream. It is now eating small endangered woodland creatures at my Jackson Hole ranch.

We are pumped about the double rubout of the Hussein boys. We really needed that win. It could be a game-changer for us. The stock market killed on the killings. And the timing will help cover your royal , too.

When the 9/11 commission report comes out tomorrow, I think you will be well satisfied with our efforts to keep you guys out of it.

We have almost as much experience as you at keeping private matters veiled. It's not good to overburden the American people with too much complicated information.

We didn't let a thing slip on our private energy meetings where we took care of our mutual friends in the industry; we kept the bidding closed on the Halliburton contracts to rebuild Iraq, and we set up our own C.I.A. within the Pentagon to produce the intelligence we wanted to link Al Qaeda to Saddam rather than to your country.

We've classified the entire section of the 9/11 report that deals with the family's support of charitable groups that benefit terrorists, including mentions of your wife's checks inexplicably winding up in the bank accounts of two of the hijackers. (Lynn says to tell Princess we have four tickets for the ballet at the Kennedy Center.)

We're not even letting Bob Graham mention the name of your country. We threatened to throw him in the federal slammer if he calls anything but "a foreign government."

Not to worry that the report will shed any light on the ties between the hijackers and your government agental- .

I know you're worried that the whiny widows of 9/11 will throw another hissy-fit when they see all the blacked-out material, like they did when you whisked Osama's family out of the U.S. on a private jet right after the attacks. But we didn't go this far down the road of pushing aside incriminating evidence about you guys and blaming 9/11 on Saddam to turn back now because a few thousand families can't get their darn closure.

Buddy, we go back a long way. You've been a great host to the Bushes and you've been generous with rides on your Airbus and Gulfstream and with invites to your beautiful estates in and and .

But now you have to throw us a bone. Al Qaeda cells are crawling all over your kingdom, planning attacks around the world. They've gotten even stronger since the May bombing of Western compounds in . We need a little more than lip service about quelling anti-American fervor over there and cracking down on phony charities. You've got to at least give the F.B.I. something to work with. Don't worry. They'll screw it up anyway.

Rest assured that the F.B.I.'s taking the heat for 9/11 in the report tomorrow, not you.

I hear you want to behead that ex-spook Robert Baer, who's been all over TV talking about the way you lavish money to influence U.S. politics, donating millions to presidential libraries and the like. But after all, every million spent on a congressman's favorite charity is one less million for a terrorist's fake charity.

Here in the House, we've mastered the art of moving beyond what people once thought was important to look for. First, we switched from looking for Osama to looking for Saddam. Then we switched from looking for "weapons" to looking for "weapons programs." Now Wolfie has informed the public that we need to worry less about finding weapons in Iraq than building democracy.

The trick is to keep moving. Just yesterday, we shifted the blame for the uranium debacle in the president's State of the speech from George Tenet at the C.I.A. to Stephen Hadley at the N.S.C.

I'd like to return your many acts of generosity. Why not come to dinner at my Secret Undisclosed Location? Here's the address:in .

All the best, Dick.

Senate Rejects Bid To Boost Homeland Security Funding (WPost)

By Helen Dewar

The Washington Post, July 23, 2003

Senate Republicans yesterday turned back the first of several Democratic attempts to add to proposed spending for homeland security next year, ensuring the issue a role in the 2004 congressional elections.

A proposal by Sen. Robert C. Byrd (D-W.Va.) to add \$1.75 billion to the \$29.3 billion appropriations bill for the new Department of Homeland Security was defeated on a largely party-line vote of 50 to 43 -- 17 votes short of the 60 needed under Senate rules because the proposal exceeded budget allocations.

But, just as they did last week in forcing a series of losing votes on initiatives challenging President Bush's Iraq policy, the Democrats were seeking to make a political point. They plan other, more narrowly targeted efforts to increase anti-terrorism spending. The Democrats' contention, disputed by Republicans, is that the administration and the GOP-controlled Congress are shortchanging the nation's domestic security needs.

Byrd's proposal sought to add \$602 million for transit security; \$729.5 million for police, firefighters and "first responders"; \$238.5 million for border protections; \$100 million to safeguard air cargo; and \$80 million to protect chemical facilities.

Since Congress's initial \$40 billion response to the Sept. 11, 2001, terrorist attacks, "the momentum has slowed," Byrd told the Senate. "Homeland security initiatives are falling behind." He cited a recent Council of Foreign Relations task force report warning that local responders remain unprepared for a catastrophic attack. "The American people believe that we here in Washington are taking care of the problem," Byrd said. "We must not mislead them."

Sen. Thad Cochran (R-Miss.), chairman of the new appropriations subcommittee for homeland security, said there is "no end to the list of ways we could spend additional funds on homeland security," noting that Congress has already pumped billions of dollars into security programs. He said spending is constrained by allocations imposed by the budget that Congress approved earlier this year and, in many cases, by practical limits on how much can be spent in a year.

Meanwhile in the House last night, lawmakers debated the proposed \$37.9 billion measure to finance the Commerce, Justice and State departments for the fiscal year that begins Oct. 1. The bill would provide \$4.6 billion for the FBI, \$424 million more than for 2003, excluding extra or "supplemental" appropriations.

The House voted overwhelmingly last night to roll back a key part of the USA Patriot Act that allows the government to conduct secret "sneak and peek" searches of private property, Reuters reported.

The House voted 309 to 118 to attach the provision to the \$37.9 billion funding bill, Reuters reported. The move would block the Justice Department from using any funds to take advantage of the section of the act that allows it to secretly search the homes of suspects and only inform them later that a warrant had been issued to do so.

The "sneak and peak" provision "opens the door to nationwide search warrants and allowing the CIA and NSA to operate domestically," said the amendment's sponsor, Rep. C.L. "Butch" Otter (R-Idaho), Reuters reported.

Senate Holds Line On Domestic Security Bill (NYTimes)

By SHERYL GAY STOLBERG

The New York Times, July 23, 2003

WASHINGTON, July 22 - The Senate today began consideration of its first annual appropriations bill financing the new Department of Homeland Security, and promptly beat back an effort by Democrats to add \$1.8 billion to the \$29 billion measure.

Democrats have been arguing for months that while the Bush administration presses tax cuts, the nation's domestic security needs are being shortchanged. But the \$1.8 billion amendment, expected to be the first of a series of Democratic efforts to increase spending in the bill, failed tonight to garner the 60 votes that budget rules required for it to be considered.

"The country's focus has been on the daily battles in Iraq," said the defeated amendment's sponsor, Senator Robert C. Byrd, Democrat of West Virginia. "While the president arguably says that the mission in Iraq has been accomplished, the mission to protect our citizens here at home is far from complete."

Republicans counter by saying that the money in the bill is more than sufficient, and note that they are providing the new department \$1 billion more than the president requested. They argue that giving the fledgling department too much money would only create problems for it.

"There is a capacity only to spend so much money at one time," said Senator Thad Cochran of Mississippi, chairman of the Appropriations subcommittee that governs domestic security spending. He added, "The rush to spend money can put the agency in disarray."

The measure is nearly identical to one the House adopted by a vote of 425 to 2 in June; a vote on the full bill in the Senate could come as early as Wednesday.

The bill would provide \$4.9 billion for customs and border protection; \$5.4 billion for the Transportation Security Administration, which oversees passenger and baggage screening at airports; \$6.9 billion for the Coast Guard; and \$1.1 billion for the Secret Service. It also includes financing for emergency preparedness and defense against biological weapons.

Mr. Byrd's amendment would have increased spending for seaports, the Coast Guard and land transit security by \$602 million; for police, fire and emergency medical teams by \$729.5 million; for border security by \$238.5 million; and for air cargo security by \$100 million.

Democrats vowed to continue pressing their fight, saying they would now bring up each item as a separate amendment to the bill. "You can't protect the homeland on the cheap," said Senator Bill Nelson, Democrat of Florida.

Tighter Cargo Security Proposed (WPost)

Customs Seeks Advance Data on Shipments, Recipients

By Martha McNeil Hamilton and Sara Kehaulani Goo

The Washington Post, July 23, 2003

U.S. Customs and Border Protection proposed stiff new regulations yesterday designed to prevent terrorists from sneaking weapons or operatives into the United States in cargo shipments.

The rules create a system that requires all shippers to electronically transmit information about their goods and the recipients far enough before arrival to allow Customs to determine whether it needs to intensively inspect the cargo.

The system seeks to increase the efficiency of inspections by ruling out "the larger percentage of cargoes that don't pose risks" in order to target those either identified as risks by intelligence or "about which we don't know anything," said Robert C. Bonner, commissioner of the Customs Service, which is now overseen by the Department of Homeland Security. He said Tom Ridge, Homeland Security director, had signed off on the regulations.

The regulations are one step Customs is taking toward improving security at U.S. borders. The agency has always required information on arriving cargo but only after the shipments had arrived. Many shippers had already begun providing information in advance, but the new rules make the procedures mandatory and require that the information be electronically filed into a system that assesses risk management for Customs.

"This is revolutionary in some ways," Bonner said of requiring such information in advance.

About 18 million cargo containers enter the United States every year on trucks and ships, Customs said. The agency did not have a figure that included arrivals by air and rail.

Under the new rules, aircraft arriving from Canada, Mexico, and Central and South America as far south as the equator would have to report their shipments when they lift off, while aircraft arriving from Asia and Europe would need to report four hours before touching down. Railroads would be required to report on their cargo two hours before entering the country. Trucks would have to notify Customs an hour before they arrived, unless they were certified under the Free and Secure Trade program that provides background checks of drivers and outfits trucks with tracking equipment. The regulations also require advance notification on departing cargo, allowing Customs to inspect for cash leaving the country and to help provide security for other nations, a Customs spokesman said.

Ocean carriers have been required since earlier this year to report on their cargoes 24 hours before arriving in port. The proposed regulations would also mandate that those filings are delivered electronically.

Customs said there will be a 30-day comment period on the regulations. The final rule will be submitted Sept. 15 and take effect 15 days later -- a timetable set out in the Trade Act of 2002.

Shippers said it was difficult to gauge the impact the regulations would have on their costs. "It is too early to say this is heinous, good or excellent," said Peter Powell Sr., chairman of the National Customs Brokers & Forwarders Association of America, which has 700 members. "To be sure, business will be done differently," Powell said. He doubted, though, that the regulations would force any businesses to close shop.

FedEx Corp. said it would use the comment period to raise its concerns about the proposed rules. "We still remain concerned that these proposed regulations will hurt the U.S. economy by slowing down critical shipments," said spokeswoman Sandra Munoz, who said the company had not yet seen the regulations. "We believe there could still be some reasonable accommodations to make sure goods can move efficiently."

Bonner said that shippers who failed to comply with the rules would face delays because their cargoes would become subject to intensive inspections. Shippers also could receive penalties ranging from \$5,000 to the value of the cargo.

"The reality is we don't want to shut down our borders," Bonner said. "The question we have been grappling with is how to make sure we have the security that is required without having to inspect everything that comes in at our borders."

Screening Will Be Thorough (USAT)

Op-ed by Maura Harty

USA Today, July 23, 2003

Stopping dangerous people from entering the USA is our top priority. But the State Department must also efficiently document the millions of legitimate visitors who come to our country for business, school, family visits and exchange programs. There is both a tension and a balance between our need to provide for both secure borders and open doors. The eye of a trained officer on a case, making use of the language skills, country-specific knowledge and counterterrorism training he or she has received is a crucial element of our adjudication process. Access to information from other agencies of the U.S. government is also invaluable.

While security has always been a priority, visa screening in the aftermath of Sept. 11, 2001, has become an essential element in our counterterrorism arsenal. We need to focus our resources, however, where they can be most effective.

Starting Aug. 1, we will require that most foreign visitors explain their proposed travel to a U.S. consular officer, who will have reviewed their visa applications beforehand and may have relevant questions to ask. While increasing the number of interviews may delay some applicants, we intend to take this measure in conjunction with others, such as increasing consular staffing abroad and streamlining certain data-entry procedures, to ensure timely processing of legitimate travelers. Our goal is to

work with our partners throughout the U.S. government to give each applicant the scrutiny in an interview appropriate to his or her circumstances, no more and no less.

Most applicants will be able to establish quickly their qualifications for a visa.

Others will be refused due to legitimate concerns that they should not be allowed to come to the United States, either because of security issues or because they do not qualify for a visa under other aspects of U.S. immigration law.

Our Foreign Service officers are highly motivated and trained to do this work that is both our privilege and our duty to perform.

Maura Harty is assistant secretary of State for consular affairs.

Visa Fixes Fall Short (USAT)

Editorial

USAToday, July 23, 2003

The State Department's plans to screen foreign visitors more closely starting Aug. 1 seems like an overdue step to reduce the risks of terrorists slipping into the country.

In the nearly two years since Sept. 11, 2001, upgrades to the nation's system for issuing U.S. visas have lagged other security fixes. In spite of the fact that all 19 of the 9/11 terrorists entered the country on visas - and three never were interviewed first - the State Department has resisted the methodical, clear-eyed approach to closing security loopholes that accounts for today's safer air-travel system.

But now an otherwise promising plan for securing the visa system through more personal interviews is being undermined by the same resistance, coupled with a distressing lack of realism. Troubling questions abound about everything from the agency's readiness to the fallout that could result from enhanced screening without adequate resources to take on the task.

Instead of making U.S. borders more secure, the department risks replacing one flawed program with another that gives the public a false sense of security.

The new system calls for a sharp increase in interviews of visa seekers by U.S. officials. They now personally question fewer than a third of applicants in many countries because consulates have broad discretion to waive interviews.

Such face-to-face meetings are valuable because they allow Foreign Service officers to detect suspicious motives and behavior they would not spot by reading applications. Yet gaps plague the fledgling program:

- Limited resources. The department had just 915 employees abroad to handle the 8.3 million visa requests it received in the 12 months ending last October. While the new regulations will mean far more interviews, the State Department has ordered its 221 consulates to make do with existing resources. A cable sent to consulates in May said: "Posts should not, repeat not, use overtime to deal with additional workload requirements." This month, officials were grilled at a House hearing about the plan, which Rep. Henry Waxman, D-Calif., called "a recipe for disaster."

- Inadequate planning. The department has failed to develop a system to handle the increased workloads. Instead, the May cable merely gave consulates vague guidance to set up appointments for applicants and develop "public relations strategies" to deal with the tighter rules.

- Lengthy delays. Travel industry groups and even the department's own estimates say that the new program could result in lengthy delays. If so, the regulations risk hindering tourism without the offsetting value of tighter security. In South Korea, where a third of 400,000 annual visa-seekers are interviewed, the workload could double, a department spokesman says.

The State Department says it already has beefed up visa screening through more interviews and a computer database of terrorism intelligence. While improvements, the measures don't ensure that the department is ready to take on this further expansion.

Doing it haphazardly or on the cheap is not the answer. Credible screening without unreasonable delays may force visa applicants to pay even more than the current \$100 fee. The war on terror requires sound solutions, not half-measures that merely give the appearance of tighter security.

Putting Out Fires And Keeping The Peace (NYTimes)

Editorial

The New York Times, July 23, 2003

They are called, respectively, New York's bravest and finest. Both the city's Fire and Police Departments have produced a bounty crop of heroes over the years. But put them together and the superlatives can become lost in a historic rivalry that often winds up embarrassing both. Two recent examples were downright petty, with officers and firefighters clashing over how to dislodge a suspected thief from a chimney and how to search for a drowning victim.

Now, with millions of dollars in federal antiterrorism aid at stake, Mayor Michael Bloomberg has ordered a plan for coordinating emergency responses that the commissioners for the police and the firefighters have agreed to accept. It's about time.

These institutions share the job of protecting public safety - an awesome responsibility, but also an invitation to turf battles. While each depends on camaraderie, quick responses and strong individuals, they have drastically different cultures. The police are a structured paramilitary organization. Firefighters are organized around, and seem to owe their strongest loyalty to, the surrogate families of their firehouses.

Nowhere was the missing symbiotic relationship more evident than in the response to the World Trade Center attack. Separate command posts were established, and the police and the firefighters exchanged little information, even issuing separate evacuation orders. Yet in the aftermath, Police Commissioner Raymond Kelly and Fire Commissioner Nicholas Scoppetta rejected the idea that there was a need to set rules for cooperation. It went the way of the 1997 protocols for cooperation, which were signed by Mayor Rudolph Giuliani but never adopted by the Police Department.

Now the city is trying to get the bravest and finest to work together again, under new rules that are being put together by the Office of Emergency Management. We hope the third time's the charm, and that fire and police personnel have begun to understand that their competitive hostility is the sort of thing that needs to be worked out on, say, the softball field rather than on duty.

WAR NEWS:

Hussein's Two Sons Are Killed In Firefight With US Troops (WSJournal)

Deaths Lift Coalition Hopes of Quelling Resistance and Criticism Over Security

By David S. Cloud in Washington and Alexei Barrionuevo in Baghdad, Iraq

The Wall Street Journal, July 23, 2003

American troops killed Saddam Hussein's two eldest sons in a six-hour firefight, a strike the U.S. hopes will undercut resistance from the former Iraqi regime and quiet criticism of American effectiveness in making the country secure.

Uday and Qusay Hussein were killed in a hastily arranged strike after an Iraqi informant disclosed that they were hiding in a relative's house in the northern city of Mosul, U.S. officials said. Their deaths eliminate two of the most feared members of the deposed regime -- No. 2 and No. 3 on the U.S. list of 55 wanted former Iraqi officials. The development was quickly trumpeted by U.S. officials as proof that the former government is gone for good.

"I believe very firmly that this will have an effect," said Lt. Gen. Ricardo Sanchez, the senior U.S. ground forces commander, at a news conference in Baghdad. "This will prove to the Iraqi people that at least these two members of the regime will not be coming back into power."

Although Mr. Hussein himself remains at large, removal of his sons seems likely to have a significant practical and psychological impact. Their elimination may discourage paramilitary forces believed to be behind the almost daily attacks on U.S. forces. Uday Hussein, Saddam's eldest son, had been put in control of the Saddam Fedayeen, a paramilitary force of Saddam Hussein loyalists, before the war, and U.S. officials fear remnants of that force may be behind some recent attacks on American forces.

The death of the sons also may encourage other Iraqis to come forward with information about Mr. Hussein's whereabouts, said U.S. officials, noting that the informant who led them to his sons was likely to receive at least a portion of the \$15 million reward offered for information leading to each of them. Mr. Hussein himself has a \$25 million price on his head.

More Iraqis also may be emboldened to step forward to cooperate with the U.S. forces occupying and rebuilding Iraq. An important focus of American policy in recent days has been to turn more responsibility for security and police work over to Iraqis themselves, to lessen the exposure of American soldiers. But Iraqi insurgents have mounted attacks on some who were working with the U.S., apparently hoping to dissuade them from cooperating and to convince the country's citizens that Saddam Hussein and his sons continued to wield power even while in hiding.

For President Bush, the successful operation provides a much-needed victory at a time when his justification for the war and his administration's preparation for its aftermath have drawn heavy political fire.

In addition to the latest raid, the U.S. military has captured 34 of the 55 Iraqi leaders depicted on the deck of cards passed out by the Pentagon following the war. But the U.S. still faces an enormous task. Even if the elimination of Mr. Hussein's sons leaves the underground opposition dispirited, attacks on U.S. soldiers are likely to continue.

A senior U.S. intelligence official says there is concern that attacks on U.S. targets could increase in coming weeks, as remaining regime loyalists try to demonstrate the deaths haven't diminished their ability to resist. The senior U.S. commander in Iraq, Gen. John Abizaid recently said that it appeared the U.S. was increasingly engaged in a guerrilla war in Iraq. Since Mr. Bush declared major combat operations over on May 1, 40 soldiers have died in attacks, which coalition officials have said are becoming increasingly sophisticated.

In addition, the rebuilding of the country's infrastructure and restoration of basic services is proceeding slowly, leaving average Iraqis frustrated. Recent taped messages purported to be recorded by Mr. Hussein have only complicated matters. Some Shiite clerics have begun to rally support to push Americans from Iraqi soil and even start an Islamic army. Anti-American demonstrations in Ramadi and Najef have numbered in the thousands.

At home, Mr. Bush's justification for going to war has been dented by White House admissions that he cited now-discredited intelligence reports about Iraq seeking uranium in Africa in his State of the Union address. Just Tuesday, White House officials acknowledged receiving detailed warnings about how unreliable the Africa reports were from CIA Director George Tenet, who had taken the blame for not blocking their use. (See related story)

In recent weeks a team of special-operations soldiers has hunted for Saddam Hussein and his sons while other troops carried out a series of offensive operations designed to root out attackers and gather more intelligence. Military officials in Baghdad say that Iraqis slowly have come forward with valuable intelligence that has led forces to would-be attackers -- mostly Hussein loyalists or former Baath party members -- and to large caches of weapons.

Tuesday's strike in Mosul suggested the U.S. had begun to unravel the mystery of some of the regime's senior members' whereabouts. Mosul increasingly appears to be a key link in that process. Other senior figures from the Hussein regime may have been hiding out there as well, using the city as a jumping-off point to head toward exile in Syria.

Mosul residents say that Hussein loyalists and family members have been moving through under the cover of night, slipping out after a 10 p.m. curfew took most observers off the streets. Residents recall seeing two trucks filled with Fedayeen members leading a caravan of some 20 vehicles out of Mosul one night while the curfew was in effect. The caravan is believed to have gone to Rabiya, on the border with Syria, and then slipped into Syria itself days later.

Defense officials speculated that Uday and Qusay Hussein may have been trying to flee either through Syria or Turkey. Abid Hamd Mahmud Al-Tikriti, Mr. Hussein's presidential secretary, who was captured in June, had told U.S. officials that he and Uday Hussein briefly escaped to Syria following the collapse of Baghdad. But they were thrown out of the country, said defense officials.

There have been reports in recent months that the sons were trying to work out a deal to go into exile. U.S. officials made it clear publicly, however, that they had little interest in negotiating any deals with the two sons. The White House Tuesday called their deaths "positive news."

Uday, 39 years old, and Qusay, 37, weren't believed to get along well. Some who are familiar with the family speculated that the fact that they were together may indicate that they were meeting to regroup and reorganize their followers.

Of the two sons, Qusay played the more important role in the former regime. Though the younger of the two, he was the heir apparent to Saddam Hussein and had assumed oversight of all Iraqi intelligence and security services, the Republican Guard, and the Special Republican Guard. He was deputy of the Baath Party's Military Bureau, U.S. officials said. Remnants of that Baath party military organization are suspected of being behind some recent attacks.

Uday was editor of the influential Babil newspaper and had control of all other Iraqi media. He also was chairman of Iraq's Olympic Committee, a position that he used to expand his own circle of fear and to intimidate others. But his violent and unpredictable behavior had led Saddam Hussein to reduce his role in recent years.

The informant who told U.S. authorities about their whereabouts came forward Monday night. A small U.S. combat team that approached the house Tuesday morning called for reinforcements after taking small-arms fire. There were two other Iraqi casualties, including a teenage boy who is believed to be one of Qusay Hussein's four children and a bodyguard. Four American soldiers were wounded in the gunfire.

A U.S. intelligence official said there was evidence the group had been hiding for weeks in the house. The bodies, which one official said had been "shot up pretty badly," were flown for identification to Baghdad International Airport, which the U.S. is using as a base. U.S. officials said DNA testing on the bodies had not been completed. But Gen. Sanchez said there was no doubt about their identities. "We've used multiple sources to identify the individuals," he said.

US Kills Hussein's Sons In Firefight At Mansion (LATimes)

An informant's tip triggers a six-hour siege. The deaths of Uday and Qusai spark celebration - and a hope resistance has been weakened.

By John Daniszewski

The Los Angeles Times, July 23, 2003

MOSUL, Iraq - Acting on a tip from an Iraqi informant, U.S. forces backed by rocket-firing helicopters stormed a luxury home on the outskirts of this northern city on Tuesday. After a six-hour operation they removed the bodies of two of the most hated and feared men in Iraq: Saddam Hussein's sons Uday and Qusai.

Two other Iraqis were killed in the assault. Residents of the neighborhood said they were a bodyguard and a teenager, believed to be Qusai's son. U.S. officials said they were still unsure of that pair's identity.

But Lt. Gen. Ricardo Sanchez, the American commander in Baghdad, said they were sure about Hussein's sons.

"We are certain that Qusai and Uday were killed today," Sanchez said at a news conference. "The bodies were in such a condition where you could identify them."

The two brothers ranked second only to their father in the deposed regime and shared his reputation for the brutal exercise of power. They were Nos. 2 and 3 on the list of most-wanted Iraqis compiled by the U.S. military. In recent weeks, the Pentagon offered \$15 million for information leading to the capture of each brother.

The deaths of Uday, 39, and Qusai, 37, mark a strong blow to the morale of fighters from the former regime still resisting the American-led occupation, U.S. defense officials said. The resistance movement has been fueled in part by rumors that Hussein and his sons were alive and directing the battle.

News of the killings spread rapidly across Iraq. Red, white and green tracers were visible across the moonless Baghdad skyline as many residents went to their rooftops or yards to fire automatic weapons in celebration. But some members of the public vowed that the death of the pair would not end the resistance to the U.S.-led occupation.

In Washington, L. Paul Bremer III, the top U.S. civilian administrator for Iraq, told reporters during a visit to Capitol Hill: "It's a great day for the Iraqi people and a great day for the American military, who showed their astounding professionalism in this operation."

President Bush "was pleased to hear the news," White House Press Secretary Scott McClellan said. "Uday and Qusai were two leaders of a very brutal regime, and this is further assurance to the people of Iraq that the regime is gone and will not be back."

Bush is scheduled to discuss operations in Iraq during an appearance in the Rose Garden this morning.

As pieced together from witnesses and military spokesmen in Mosul, Tuesday's action began before 9 a.m. when troops of the Army's 101st Airborne Division surrounded the imposing columned house of wealthy businessman Nawaf Zaidan, who claimed kinship to Saddam Hussein and reputedly had been involved in business dealings with the two sons.

According to Brig. Gen. Frank Helmick, deputy commander of the 101st Airborne, the division had received "actionable intelligence" the night before that "high-ranking members of the former government" were using the home. In Baghdad, Sanchez said an unidentified Iraqi had approached U.S. forces with the information.

A witness at the scene said a small group of soldiers took Zaidan into custody and put him in an Army vehicle near the house with his hands bound in plastic cuffs. Zaidan was heard urging the soldiers not to search the house because they would meet fierce resistance.

While the discussion was taking place, gunfire erupted from the house directed at the soldiers. The small-arms fire began from the roof and then came from the rest of the building. The soldiers called in scores of reinforcements.

U.S. troops stormed the abandoned first floor of the house but were initially unable to penetrate the "hardened" second floor, where the Iraqis had barricaded themselves behind bulletproof windows and other materials, defense officials said.

"We proceeded to wear away at their will to resist until the point came, late in the day, where we entered their house," said Maj. Hugh "Trey" Cate, a public affairs officer for the 101st Airborne. That was around 1:30 p.m., he said.

Helmick said that when the people barricaded inside did not surrender in the face of small arms and .50-caliber machine guns, "we had to use bigger caliber weapons." Brought to bear on the house were wire-guided TOW missiles, rockets fired from Kiowa OH-58D light assault helicopters and Mark 19 automatic grenade launcher systems.

The resulting mismatch was exactly what the Army wanted, Helmick said. He expressed pride in the accuracy of the fire, which decimated Zaidan's house but left other buildings in the neighborhood unscathed except for broken windows and bullet and fragment holes in their rooftop cisterns.

"Doggone it, Americans should be proud of these soldiers," he said.

Helmick said the troops were careful to avoid harming a large mosque across from the Zaidan residence. At the time the siege of the house began, the soldiers set up a cordon in the neighborhood, stopping people from attending noon prayers at the mosque for their own safety.

Ahmad Shakur, a local journalist who had watched the siege while lying on the ground near the mosque, said that for several hours it was "a battle zone." Ten rockets were fired from the Kiowa helicopters, he said. Soldiers said at least 13 TOW missiles were fired as well.

Four American soldiers were wounded in the assault, and two Iraqis in the surrounding Al Falah neighborhood were killed.

After the guns inside the house fell silent, U.S. forces entered the premises. Witnesses said four bodies were carried out, three in sheets or blankets and one by his hands and legs. The corpses were loaded onto a helicopter and flown away, they said.

Hours after the battle, the asphalt outside the home was littered with shell casings from the .50-caliber machine guns that ripped into the heavy concrete casing of Zaidan's home.

Shakur said soldiers and plainclothes officials removed computers, televisions and other items from the house, apparently seeking further clues in the hunt for other top officials of the former regime, including Saddam Hussein, who authorities believe is alive and most likely hiding in Iraq. The U.S. has offered a \$25-million bounty for the older Hussein.

Defense officials would not confirm whether the reward for the death of the sons would go to the Iraqi who led U.S. forces to the Mosul house, but Sanchez said the money would "probably" be paid out. One defense official said of the informant: "He's potentially \$30 million richer."

Leery of being proved wrong, U.S. officials were initially cautious Tuesday about declaring that two of the dead were Hussein's sons. The bodies were flown to the town of Baiji, about 100 miles to the south, Sanchez said. DNA samples were taken for comparison with samples previously obtained.

But several Iraqis who knew Uday and Qusai were shown the bodies during the day, including Saddam Hussein's top bodyguard and advisor, Abid Hamid Mahmud Tikriti, who was captured by U.S. forces last month, a State Department official said.

Mahmud was the top former regime official to verify the identities of the two bodies, said the official, who requested anonymity.

The sons could be positively identified by DNA testing in little more than a day, depending on the level of statistical certainty that officials sought in making the identifications, said professor James Starrs, a forensic science specialist at George Washington University.

A U.S. official in Washington said that in addition to the tip from the Iraqi, Tuesday's raid was "prompted by a variety of kinds of intelligence," suggesting that the U.S. had intercepted communications or imagery that helped pinpoint the location.

"There are multiple things which led us to believe there might be somebody there, multiple 'ints,' " the official said, using spy community shorthand for signals, imagery and human intelligence.

Though soldiers at the site of the shootout were under orders not to speculate on who had been inside, they had a hard time suppressing their excitement about being a part of getting two top targets of the U.S. military.

"I think the soldiers are pretty pumped up. It's good to accomplish a mission and not lose a life," Cate said. "Anytime you do something big and important for the coalition and for its success in the country, that would make anyone happy."

"It'd be good" if the dead were Hussein's sons, said Maj. Frank Sturek, executive officer of the 101st Airborne's 2nd Brigade, before the deaths were announced. "That may stop some of the violence" against U.S. forces, he said.

Hundreds of Iraqis from the neighborhood congregated throughout the day on the other side of the barbed wire to watch the Americans and glare at the heavily damaged house, its carved columns now blasted down to reveal the reinforced steel bars inside the concrete. Window frames hung askew and the interior was charred.

When asked about the possible deaths of Uday and Qusai, people in the crowd gave mixed responses.

"Even if Saddam Hussein is dead, half of Iraqis will be Saddam Husseins!" shouted one man, before walking away.

Another man, who gave his name only as Abu Ibrahim, disagreed. "Saddam Hussein killed millions of people," he said. "The homeland is more important to us than any single person."

Zaidan, the owner of the house, is the brother of Salah Zaidan, leader of the Bajat tribe in Iraq. Hussein, like the Zaidan brothers, is a member of the Albo-Nasr branch of the Bajat tribe.

Although the Hussein family and the Zaidans are linked by those tribal associations, several neighbors said the Zaidans had been persecuted by the former regime under a law that made it illegal to claim kinship to Saddam Hussein.

Despite that apparent conflict, neighbors also said that Nawaf Zaidan's relations with both brothers had been cordial in recent years and that his economic fortunes had improved commensurately. They said Zaidan was the contractor for a massive mosque that Saddam Hussein ordered built in Mosul, the nation's third-largest city.

Mosul, an ethnically diverse city bordering the autonomous Kurdistan region, is well out of the "Sunni triangle," the region north and west of Baghdad where resistance to the U.S.-led occupation has been strongest.

One of the U.S. Army noncommissioned officers helping to secure the Zaidan home after the gun battle said he believed that he may have seen Uday Hussein in the same part of town Monday, riding in a dark-green or blue BMW next to his Humvee.

Sgt. Joshua Gilbreth of Fresno said he noticed the man looking at him, and when Gilbreth stared back, the man smiled and waved, and then the car sped away. At the time, Gilbreth thought he recognized the man as Uday, because he had been handing out wanted posters. He told his buddies right away, he said, but they all thought that he was joking.

A dark blue BMW sedan was parked in front of Zaidan's house Tuesday, riddled with bullets from the fierce gun battle.

"I went over and looked at it," Gilbreth said, "and I think it's the same car."

Times staff writers Esther Schrader, Robin Wright, Aaron Zitner, Greg Miller and Maura Reynolds in Washington and John Hendren and David Zucchino in Baghdad contributed to this report.

Elimination Of Infamous Duo May Help Stabilize Iraq (HOU)

By MICHAEL HEDGES

The Houston Chronicle, July 23, 2003

WASHINGTON -- American forces killed Saddam Hussein's two sons in a fierce firefight in the northern Iraq city of Mosul on Tuesday, eliminating the men officials believe inspired the guerrilla attacks on U.S. soldiers and inhibited efforts to stabilize the country.

Uday Hussein, 39, was in charge of the black-clad Fedayeen troops who attacked U.S. soldiers during and after Operation Iraqi Freedom, while Qusay Hussein, 37, led Iraq's secret police and Special Republican Guards who are also suspected of taking part in bushwhacking troops in recent weeks.

The brothers, along with a bodyguard and a teenage boy believed to be Qusay's son, were killed by troops of the 101st Airborne Division and Special Forces after being surrounded in the home of a Mosul contractor.

The soldiers were acting on a tip from an unidentified local man who officials said would be in line to collect a \$15 million bounty placed on the heads of the brothers, rated the most crucial targets in Iraq except for their father.

Lt. Gen. Ricardo Sanchez, who commands coalition forces in Iraq, said the Iraqi leaders were surrounded and killed in a six-hour gunbattle that began after soldiers approaching the house were fired upon. Four soldiers were wounded and were expected to recover.

Asked if he believed the deaths of Uday and Qusay Hussein would begin to blunt the guerrilla attacks against Americans, Sanchez said, "I believe very firmly this will have an effect. This will prove to the Iraqi people that at least these two members of the regime are not coming back to power."

The killings of the brothers are also likely to further isolate their father, if he is still alive, officials said. According to some reports, Saddam may have a third son, but he did not play a major role in the regime. Saddam also has three daughters.

Pentagon officials said they were encouraged that the information leading to the raid came from an Iraqi tipster, convincing them that lavish rewards offered for Saddam and others will eventually bear fruit. A \$25 million reward for Saddam's capture has been widely publicized in Iraq.

After the firefight, the bodies of Uday and Qusay were rushed to Dubai, where, according to officials, forensic evidence confirmed the identities. Sanchez said the bodies were "in a condition where you could identify them."

President Bush did not directly comment on the deaths. A White House statement said, "We were pleased to learn from the Department of Defense of today's action against Uday and Qusay Hussein. Over the period of many years, these two individuals were responsible for countless atrocities committed against the Iraqi people and they can no longer cast a shadow of hate on Iraq."

L. Paul Bremer, who is overseeing U.S. efforts to rebuild Iraq, told reporters in Washington, "This is a really great day for the Iraqi people."

He noted that some Iraqis fired weapons into the night sky to celebrate the killings. "The fact that Baghdad was lighted up with celebratory fire tonight shows you how important this is in meeting the real desires of the Iraqi people to be rid for once and for all of Saddam Hussein, his sons and his odious regime."

That view was echoed by Iraqis who are part of the U.S.-backed provisional government there. "This will contribute significantly to reducing attacks on coalition soldiers," said Ahmad Chalabi, a delegate from the Coalition Provisional Authority, speaking at the United Nations.

The operation began after an unidentified Iraqi approached American soldiers in Mosul, and said that a local Sunni man who may be a cousin of Saddam had been hosting the ousted leader's sons, officials said.

Rumors of Saddam or his sons hiding out in Mosul had circulated for months. But this tip was specific and credible enough that officers felt it should be checked.

Early on Tuesday, about 200 soldiers from the 101st Airborne Division backed by Special Forces troops surrounded the expansive stone house. When they approached the entrance, they were fired upon, Sanchez said.

The American response was lethal. The troops, firing heavy machine guns and rocket launchers, pumped rounds into the building. Helicopter gunships and other aircraft circled overhead, according to some witnesses.

"They died in a fierce gunbattle," Sanchez said. "They resisted the detention and the efforts of coalition forces to go in there and apprehend them."

Of the brothers, Uday Hussein was an almost mythical figure of senseless brutality in Iraq dating back to his youth. His appearance at Baghdad's Al Rashid Hotel or at chic clubs in the city's Mansour district along the Tigris River could intimidate a lively crowd into silence, then provoke tales of his atrocities after he departed.

The State Department described him as having, "a history of extreme violent behavior including murder, torture and rape of women and girls."

In recent years, Qusay replaced his brother as first in line to take control of the Baath Party after his father's death. More reclusive and less flamboyant than his brother, Qusay was considered even more efficiently deadly by U.S. intelligence officials.

Republicans and Democrats acknowledged the killings of Saddam's sons as an important development in the Iraqi conflict.

"Well, I think it's important. Obviously, no one can underestimate the value of the developments today if they are found to be accurate," said Senate Democratic leader Tom Daschle, a persistent critic of the Bush administration's war efforts. But he added, "To win the peace, we need more help. ... This doesn't change that."

Sen. John Cornyn, R-Texas, who recently visited Baghdad, said, "The largest obstacle to a free and prosperous Iraq is that many people there still live in fear of Saddam and his sons. With today's news we are two steps closer to removing that fear."

Some experts were surprised that the brothers were in Mosul. Iraq's third largest city, Mosul is a sprawling complex of shops and light industry where Kurds, Assyrian Christians and Sunni Muslims live in an uneasy system of interlocking political and social alliances. It is an ancient city, across the Tigris River from the Biblical city of Nineveh. In modern times, the Mosul region has been dominated by the Kurds who were repeatedly attacked by Saddam's regime, making it seem an unlikely hiding place for Uday and Qusay Hussein.

But even after the fall of Baghdad this spring, it was clear that pockets of Saddam loyalists were holding out in Mosul, especially near a massive Republican Guard base seized by American troops in May. The soldiers faced nightly harassing fire, and occasionally struck back in raids that killed a few black-robed guerrillas.

Middle East and intelligence experts were unanimous in describing the deaths of Saddam's sons as potentially a pivotal moment in modern Iraq history, while warning that U.S. troops in Iraq still face danger.

Former top CIA official Vincent Cannistraro said the deaths could provoke some short-term retributive attacks on Americans, but in the longer term would help crush the remnants of Saddam's Baath Party.

"It is a morale boost for American troops and intelligence officials to get them," he said. "They are potent symbols of the old regime."

Bill Taylor, an analyst with the Center for Strategic and International Studies in Washington said: "This could change overnight the view in some parts of the world that the U.S. is foundering in Iraq. And I strongly believe these ambushes against U.S. soldiers in Iraq are being conducted by guerrillas who were beholden to the two sons. This could take the steam out of that."

Jim Philips, a Middle East expert for the Heritage Foundation, a Washington think tank, said it is likely there are still many dangerous days ahead for U.S. soldiers in Iraq. But the killings of Uday and Qusay marked an "important victory" he said.

"Saddam's regime was a family-run enterprise, a tribal mafia," Philips said, adding:

"This sends a very important message to the Iraqi people and others in the region that they don't have to be looking over their shoulders waiting for the Baathists to return."

Saddam's Sons Killed In Iraq Gun Battle (FT)

By Peter Spiegel in London and Charles Clover in Baghdad

The Financial Times, July 23, 2003

Saddam Hussein's eldest sons, Uday and Qusay, were killed in a fierce gun battle on Tuesday when US forces attacked a house in northern Iraq, a senior American general said on Tuesday night.

"We're certain that Uday and Qusay were killed," Lieutenant General Ricardo Sanchez told a news conference in Baghdad. "We've used multiple sources to identify the individuals."

The raid in the town of Mosul, which led to a six-hour gun battle between US forces and a handful of Iraqis inside the house, came after soldiers received what the Pentagon described as "reliable" information that senior members of the former dictator's regime were in the house.

Gen Sanchez said the tip came from a "walk-in" on Monday night, and the reward of \$15m for each son offered by the Coalition Provisional Authority would probably be paid.

Two other Iraqis were also killed in the attack on the sprawling, two-storey house which US officials said belonged to a relative of Mr Hussein. At least five other Iraqis were wounded in the battle and four US soldiers were injured.

Gen Sanchez said the four Iraqis were killed after resisting US demands that they surrender. He promised to provide additional details on Wednesday which would prove the two sons of Mr Hussein were dead.

"I believe very firmly this will prove to the Iraqi people that at least two members of the regime will not be coming back into power," he said.

The bodies of the four people killed in the attack were quickly taken from the house to be identified. Donald Rumsfeld, US defence secretary, briefed George W. Bush, the president, shortly after the raid that troops on the ground believed they had killed the two sons.

Mosul and the villages to its west have long been suspected by US and Kurdish intelligence to be harbouring senior members of the former dictator's Ba'athist party. General John Abizaid, the head of US central command, said last week that a loose, regional command-and-control structure of Iraqi guerrillas was being rebuilt in the town.

Mosul has been mainly calm after April's war, but its predominantly Sunni population and sheer size made it a potential hiding place. Although US officials suspect that Mr Hussein himself is still alive and hiding inside Iraq, the killing of his sons will be a blow to irregular Iraqi forces, which American military leaders believed were regrouping in central and northern Iraq. Qusay was widely seen as the probable successor to his father, usurping his erratic older brother Uday who, US intelligence officials say, was eased aside after killing officials close to Saddam.

The demise of the two heirs is the biggest success for US troops since Mr Bush declared the end of major combat on May 1. The Bush administration and its allies have come under increasing pressure because of troops' failure to find weapons of mass destruction in the country.

British Prime Minister Tony Blair on Wednesday described the death of Saddam's sons as a "great day for the new Iraq".

Speaking in Hong Kong during his Asia-Pacific tour, Mr Blair said: "These two particular people were at the head of a regime that wasn't just a threat because of its weapons programme, but was also responsible for the torture and killing of thousands and thousands of innocent Iraqis."

Plans for an international police force of about 7,000 officers to support the military in Iraq are being discussed by officials in the US-led coalition.

A Major Strike At Hussein's Inner Circle (CSM)

Sons Uday and Qusay Hussein were killed Tuesday in a raid by the 101st Airborne Division.

By Howard LaFranchi and Faye Bowers

The Christian Science Monitor, July 23, 2003

WASHINGTON - The deaths of Saddam Hussein's two "most-wanted" sons in an attack by US forces Tuesday brings a major morale boost both to US troops and to Iraqis beginning to doubt that the old regime was gone for good.

The US military said Tuesday it had confirmed that Mr. Hussein's two sons, Qusay and Uday, had been killed in a fierce gun battle in the northern city of Mosul. US forces raided a villa in the city after receiving a "walk-in" tip that the two sons were holed up there, said Lt. Gen. Ricardo Sanchez at a news conference in Baghdad. He added that the US expected to pay the \$15 million reward offered for information leading to the death or capture of each of Hussein's sons.

Given the notoriety among both Iraqis and Americans of the two sons, their deaths are seen as an important boost to morale. They are also seen as a sign that the capture or killing of Hussein may not be far off. He is believed by US officials to be on the run, but possibly directing the guerrilla-style warfare coalition forces are encountering.

Hussein's sons are nationally famous; Uday, was widely feared for his well-known cruelty, and Qusay, was one of the former Iraqi regime's most trusted and influential personalities.

Their deaths are evidence that US forces "are stripping away the places where [Hussein] has been or could be hidden," says Judith Yaphe, an Iraq expert at the National Defense University in Washington. "It sends a clear message that we are here and we will get you."

That will be significant not just to the US, Ms. Yaphe adds, but perhaps more importantly to Iraqis themselves, who know and lived with the sons' rule. This "will encourage those who ... hate the [Hussein regime] but have been afraid to come out," she says. "They have been frightened that they would come back."

While no one is predicting the daily attacks on US forces will stop, some analysts say the demise of the former Iraqi leader's sons should take the wind out of the sails of the pro-Hussein forces who thought the US might be driven away.

Hours after the raid in Mosul, gunfire erupted throughout Baghdad - perhaps in celebration of the news.

"A lot of the resistance, shooting, and ambushing of US forces has been going on by Baathist [Party] and former Iraqi military under Hussein [who] thought Saddam would fight his way back into power," notes Stanley Bedlington, a retired senior analyst from the CIA's Counterterrorism Center. "The fact that Qusay and Uday have been killed ... has obviously removed that prospect. There's no doubt that this is a major blow to those who still support the Baathist regime."

Despite being the younger of Hussein's two sons, Qusay was said to be first in line to succeed his father. He oversaw Iraq's intelligence and security services, including the notorious Special Republican Guard, and in 2001 was named deputy of the Baath Party's military bureau.

Uday was instrumental in putting down threats to his father's regime. He used blackmail, torture, imprisonment, and even murder to eliminate real or perceived enemies. He ordered the killing of thousands of inmates throughout the 1990s, and put the lid on a Shiite revolt in 1997. He survived an assassination attempt by two Iraqi military officers in 1996.

The killings of Hussein's two sons also provides a much-needed boost to US intelligence circles, which have been laboring under clouds of doubt for their inability to locate either Hussein or Osama bin Laden.

Sources say that US spies have been on the trail of Hussein and his two sons, getting closer and closer in the past few weeks. Most recently, intelligence officials had been monitoring the house in Mosul where Tuesday's raid took place.

"It seems that US forces have acted on solid intelligence that some high-value targets were meeting in the Hai Fallah neighborhood of Mosul," says Hoshiyar Zebari, a member of the Kurdish Democratic Party and acting member on Iraq's new governing council. "It will be a demoralizing blow to the remnants of the ex-regime who are showing some signs of continuing resistance and fighting to force the Americans to withdraw and encouraging people to stand up to the occupation."

While analysts say this is not quite the same as getting Hussein, they believe this news is already having an impact throughout the region, where opinion had started to wonder if Hussein and his regime might indeed return.

"Of course we need to get Saddam," says Mr. Bedlington, "but this is all over Al Jazeera and other Arabic networks already and it will be all around the Middle East.... To other Middle East regimes," he adds, "it will be a message that those who rule in a tyrannical manner may expect their end to come sooner or later."

Says Mr. Zebari, "I think the net is closing on Saddam."

US Lowered Its Sights In Iraq Search (WPost)

Information on Fugitives Poured In After Military Turned Focus to Mid-Level Operatives

By Thomas E. Ricks

The Washington Post, July 23, 2003

BAGHDAD -- After weeks of difficult searching for the top targets on the U.S. government's list of most-wanted Iraqi fugitives, U.S. military commanders two weeks ago switched the emphasis of their operations, focusing on capturing and gathering intelligence from low-level members of former president Saddam Hussein's Baath Party who had been attacking American forces, according to military officials.

That shift produced a flood of new information about the location of the Iraqi fugitives, which came just before the attack in which Hussein's two sons were killed by U.S. forces in the northern city of Mosul, the officials said.

"We shifted our focus from very high-level personalities to the people that are causing us damage," Gen. John P. Abizaid, the new commander of the U.S. military in the Middle East, said in an interview last weekend. Later, he told reporters in Baghdad: "In the past two weeks, we have been getting the mid-level leadership in a way that is effective."

The captured Baathists provided much new detail about their organization and contacts, officials here said. Some gave information about their financing and their means of communication, they added. Others identified members of their networks.

Some described the routes and contacts that fugitive leaders were using. Threats to ship the recalcitrant captives to the U.S. detention facility at Guantanamo Bay on the eastern end of Cuba were especially helpful in encouraging them to talk, officials said.

"You get a tip, you pull a couple of guys in, they start to talk," a Central Command official said. Then, based on that information, he continued, "you do a raid, you confiscate some documents, you start building the tree" of contacts and "you start doing signals intercepts. And then you're into the network."

"The people are now coming to us with information," Maj. Gen. Raymond T. Odierno, commander of the Army's 4th Infantry Division, told Abizaid in a briefing this week at Odierno's headquarters in Tikrit, Hussein's home town. "Every time we do an operation, more people come in."

The 4th Infantry, operating in a region dominated by Iraq's Sunni Muslim minority, which was a major base of Hussein's support, conducted an average of 18 raids a day in recent weeks, he added.

The number and breadth of those follow-up raids also encouraged Iraqis who had been fearful of Baathist retaliation to speak up, officials here said.

Army Lt. Gen. Ricardo Sanchez, the commander of U.S. forces in Iraq, said at a Baghdad news conference at which he confirmed the deaths of Hussein's sons that the Mosul raid resulted from "a walk-in" Monday night who "gave us the information that those two individuals were in that residence."

Until early June, when the Army launched the first of three major offensives in the an area known as the Sunni triangle north and west of Baghdad, U.S. officials didn't fully grasp the extent of Baathist resistance in the area, one Army official said.

The first offensive, dubbed Peninsula Strike, wasn't aimed so much at Baathists as at hostile remnants of the Iraqi military that remained active in the Sunni town of Thuluya, on the Tigris River between Baghdad and Tikrit. Yet when captives from that operation, from June 8 to 15, were interrogated, they began shedding unexpected light on the role that Baath Party operatives were playing in the region in supplying weapons, recruiting fighters and financing attacks on U.S. troops and bases, officials said.

Later in June, the next offensive, Desert Scorpion, began with scores of simultaneous raids aimed at, among other things, shutting down escape routes available to the former Iraqi leaders. It also went after the secret hoards of cash and jewelry that were financing their operations, and it sought to gather more information about the size and structure of Baathist resistance in the Sunni triangle.

That series of raids yielded information on what analysts said was a surprisingly large network of Hussein loyalists. "We call it the gang of 9,000," said a senior Army official, adding that that figure was just an estimate of the number of Baath Party operatives, former intelligence functionaries and their allies active in the Sunni region and in Baghdad.

As a result, U.S. commanders changed their minds about sending the entire 3rd Infantry Division home, as they had hoped to do by the end of last month. "As we began to see the extent of Baathist pockets in the Sunni triangle, it became clear that we couldn't draw down forces as quickly as we liked," said a senior Central Command official.

The raids also led to a sharp increase in U.S. casualties in June, with a soldier dying nearly every day. This official estimated that close to 60 percent of U.S. casualties came in the course of offensive operations by the U.S. troops or Baathist responses to those attacks.

The third offensive, Soda Mountain, conducted this month, was the first aimed at capturing and interrogating the resistance leaders -- the mid-level Baathists who U.S. officials had come to believe were behind most of the attacks on American forces. That operation began with a smaller series of raids by the 4th Division, called Ivy Serpent.

The mid-level operatives who were captured turned out to be knowledgeable about how the top targets on the U.S. list were evading capture. "There was a snowball effect," a senior Army official said.

Put together, the information helped breach the wall of protection around Hussein and his sons, a U.S. official said this week. He said the information the United States now has is far more solid than that which led to last month's Special Operations raid near the Syrian border. U.S. officials initially thought that raid might have hit Hussein or people close to him, but it appears only to have damaged the smuggling network that was being used by fugitives to travel in and out of Iraq.

Despite their recent success, U.S. military officials here caution that the fighting is far from over, and they predict that the nature of the attacks could worsen. They worry that the more they succeed, the more desperate Baathist remnants will become.

So, they fear, the next phase of attacks might rely more on car bombs and other terrorist methods than on direct attacks on U.S. forces. Two officials here this week, for example, expressed concern about the possibility of an Oklahoma City-like bomb attack on U.S. officials and Iraqis working with them in the capital.

Hussein's 2 Sons Dead In Shootout, US Says (NYTimes)

By NEIL MacFARQUHAR

The New York Times, July 23, 2003

BAGHDAD, Iraq, July 22 - Acting on a tip from an Iraqi that Saddam Hussein's sons, Uday and Qusay, were holed up in a palatial residence in the northern city of Mosul, United States troops surrounded the house today and killed the two men in a ferocious shootout that gradually shredded the walls providing them cover.

Soldiers from the 101st Airborne Division as well as Special Operations forces called on the men to surrender and were answered with a peppering of small-arms fire, Lt. Gen. Ricardo S. Sanchez, chief of land forces in Iraq, said at a late-night news conference.

"They died in a fierce gun battle," he said. "They resisted the detention and the efforts of the coalition forces to go in there and apprehend them, and they were killed in the ensuing gunfight and the attacks that we conducted on the residence."

A senior defense official said Apache helicopters, A-10 Warthogs and fighter aircraft were called in to lend support.

The bodies of the two men, along with two others, were flown to Baghdad International Airport, the headquarters of the United States military in Iraq, where they were identified. The bodies were physically recognizable, General Sanchez said, adding that "multiple sources" had been used to confirm the identities.

General Sanchez said the other two bodies had yet to be identified, although Arab satellite television reports said one was the teenage son of Qusay, Mustapha, and the other was a bodyguard who had traveled with Uday since he was incapacitated by an assassination attempt in 1996.

Government officials in Washington also said the teenager might be Qusay Hussein's 14-year-old son, although they did not give the son's name and emphasized that there had been no final determination of the identity. The officials also said the fourth person might have been a bodyguard.

A retired Iraqi general who lived near the house said he thought others might have been involved in the gun battle and either escaped or were arrested.

The deaths eliminate two of the most wanted members of the former Iraqi government after Saddam Hussein himself, who United States officials believe remains in Iraq. Qusay was second on the playing-card list of the most wanted as the Ace of Clubs, and Uday was third as the Ace of Hearts.

Analysts believe the deaths may diminish but not eliminate attacks that have killed 40 American soldiers since President Bush declared the end of major combat on May 1. Four American soldiers were wounded in the gunfight today.

There was a \$15 million reward posted on the head of each man, which General Sanchez said would be awarded. He did not identify the person who turned in the two men, but Kurdish officials said the likely source was the owner of the house where they were staying.

One Kurdish intelligence official said today that the two sons were seen - and filmed - getting out of a car and racing into a house around 9 a.m. today. The film was quickly handed over to the American military, who confirmed the identity of the men, he said.

Both sons were important lieutenants for the deposed president.

Qusay, 37, the younger, calmer brother, ran his father's security detail, the Special Republican Guards, and various intelligence agencies. A stockier version of his father, he rarely appeared in public. Televised meetings of the Revolutionary Command Council often showed him sitting at his father's elbow in impeccably tailored suits, taking notes on his father's every word.

The more flamboyant Uday, 39, was an infamous playboy feared for his sadistic, murderous bent, who organized the Saddam Fedayeen, giving pardoned criminals a new lease on life if they would kill for the government. They were the main guerrilla force that battled the advancing American Army.

Uday became increasingly unstable in public after beating to death his father's favorite servant in 1988, and was gradually discounted as a successor. He had a high public profile, though, as a member of Parliament, head of the most popular newspaper and television station plus chairman of the national Olympic Committee, whose basement was used a center of torture and rape. In a referendum on his father's rule last fall, Uday drove to the polling place in a pink Rolls Royce.

Although some Hussein loyalists either paid or prodded by his sons are suspected of killing American soldiers, the attacks are also likely to be the work of Iraqis opposed to the very idea of occupation, tribal members bent on revenge for dead relatives and fanatics who believe Islam is at war with the West.

General Sanchez said he was sure the deaths would make a difference, though. "I believe very firmly that this will in fact have an effect," he said. "This will prove to the Iraqi people that at least these two members of the regime will not be coming back into power."

In the continuing attacks, one American soldier was killed and one was wounded in an ambush today north of Baghdad, the United States Central Command announced. The attackers fired rocket-propelled grenades and small arms at the vehicle carrying the men on the road between Balad, 50 miles north of Baghdad, and Ramadi.

In another incident, the International Committee of the Red Cross said one of its technicians was killed and a driver was hospitalized after their vehicle was fired on near Hilla, south of Baghdad.

Most Iraqis will be relieved that Mr. Hussein's two most likely successors have been eliminated as the manhunt for others continues. More gunfire than usual erupted across Baghdad as Iraqis started celebrating the news.

General Sanchez said catching or killing everyone on the wanted list remained an important goal, noting that American forces were still combing the Mosul neighborhood in hopes of gaining information about Saddam Hussein's whereabouts. The Special Operations forces involved were members of Task Force 20, the elite unit charged with hunting down top targets, senior American military officials said.

Some Iraqis could not quite believe the two sons were dead. "I don't think it is possible, but if it is true, they deserved whatever happened to them," said Omar Salam, 22, eating his dinner at a roadside cafe as people fired guns all around him.

Not all the reaction was positive, however. The correspondent for Al Jazeera, the Arab satellite television network that has been a staunch critic of the war, described the two men as having been killed "in cold blood," and one analyst brought on to comment called the method of their deaths a "crime."

General Sanchez said a full account of the assault by the 101st Airborne Division and the Special Forces, also aided by the Air Force, would be given Wednesday. It was unclear what types of pictures or other materials might be presented to convince Iraqis that the two men had been killed.

Several neighbors and Kurdish officials gave various accounts of the events.

Soon after receiving the tip, troops from the 101st Airborne surrounded the house around 10 a.m. and used a loudspeaker to warn whoever was inside to give themselves up, said a neighbor, Ali Jajawi, a retired Iraqi general whose house sits about 100 yards away. The response was gunfire, the boom of high-powered weaponry shattering the calm for three hours, he said. He said the amount of gunfire could mean there were some bodyguards who escaped. He said he had seen two men arrested at the house and said two of the bodies removed had beards.

Neighbors saw the owner of the house, Nawaf al-Zaydan, and his son Shahlan sitting in American vehicles. People asked him what had happened and he told them that Uday and Qusay Hussein were inside the house. He had gone to bring breakfast for them, he said, when the Americans arrested him.

Neighbors found it strange that he appeared totally calm and was smoking in the car, General Jajawi said, even as the battle gradually wrecked the walls of his house.

Farhan Sharafani, a tribal leader and a member of the Kurdish Parliament, said there was a widespread belief that Mr. Zaydan had turned the men in to avenge a slight.

Both Mr. Zaydan and his brother Salah had been prosecuted by the former Iraqi government under a law promulgated several years ago making it illegal to claim kinship with the president's family. They claimed they were part of the Albu Nasser tribe, Mr. Hussein's tribe, and were jailed for it, said Ghazi Ajil al-Yawar, a member of Iraq's Governing Council from Mosul. They had been released only under the general amnesty declared last October.

With Hussein's Heirs Gone, Hopes Rise For End To Attacks (NYTimes)

By ERIC SCHMITT and THOM SHANKER

The New York Times, July 23, 2003

WASHINGTON, July 22 - The deaths of Saddam Hussein's two eldest sons in a battle with American troops in northern Iraq could be an important victory in the campaign to control, and even end, the guerrilla-style insurgency that has almost daily killed or injured allied troops, administration and military officials said today.

Advertisement

The attack that killed Qusay and Uday Hussein could set off an immediate wave of retribution attacks, officials said, but the deaths should also embolden more Iraqis to come forward with critical information to energize the American military's antiguerrilla operations.

Evidence of the deaths, the officials said, will allow them to make the most convincing case that senior leaders of the Hussein government would never return to power - and that Iraqis need no longer fear openly supporting the United States.

Before today, Defense Secretary Donald H. Rumsfeld routinely cited the climate of fear imposed by Mr. Hussein over the decades of his rule as a significant brake on efforts to pacify and rebuild Iraq. Mr. Hussein's sons served as his two most senior advisers and their survival at the very least helped inspire the insurgency.

"Key regime figures had spheres of influence, and many in Uday and Qusay's spheres of influence are without a doubt sleeping better tonight," said James R. Wilkinson, spokesman for the United States Central Command in Tampa, Fla.

But the top prize - Saddam Hussein - remained elusive, and initial reports on the attack included no indication of whether information might have been seized at the house to point to his location.

Even so, the raid raised hopes among military officials in Iraq and at the Pentagon that they were tightening the noose around Mr. Hussein himself. A senior military official said the Pentagon would learn more about the kind of hiding places Mr. Hussein and his former top aides may be using. The second floor house in Mosul was so heavily fortified that it took missiles fired from either Apache or Kiowa helicopters to blast it open so troops could enter.

The attack may also validate arguments by senior American commanders who have resisted calls from some lawmakers and other critics to increase the number of troops on the ground in Iraq from the current level of 148,000, saying better intelligence combined with fast-acting troops is the answer.

In an interview on Sunday, Gen. John P. Abizaid, the commander of American forces in the Persian Gulf, described a scenario that foreshadowed the raid today.

"It's not a matter of boots per square meter," General Abizaid said. "It's a matter of focused intelligence, and then troops that are agile enough to carry out missions in a manner that can cause surprise and take down the targets precisely."

The military has conducted hundreds of raids over the past few weeks, not to seize hundreds of fighters but to confiscate huge caches of weapons and hoards of cash, gold and jewels meant to finance a long-term guerrilla resistance.

American officials were particularly hopeful that the deaths would lead more Iraqi informants to come forward. Since President Bush declared an end to major combat on May 1, American forces have relied heavily on tips from such informants and from insurgents captured in a running series of raids, to hunt down an elusive array of Baath Party diehards, foreign guerrilla fighters and terrorists.

"We've seen an increase in informants coming forward to our military, to our intelligence people and to our police in the last three weeks, and this is an obvious example of a culmination of that," said L. Paul Bremer III, the senior American occupation administrator, after briefing lawmakers on Capitol Hill today. "I would hope this will encourage other Iraqis to come forward."

Lt. Gen. Ricardo S. Sanchez, the American ground commander in Iraq, told reporters in Baghdad that the developments will enhance the allies' credibility with Iraqis, some of whom have questioned whether the United States was secretly holding Mr. Hussein, and possibly his sons, to ensure Iraqis do what they were told.

General Sanchez said, "We remain totally committed to the Hussein regime never returning to power and tormenting the Iraqi people."

Judith Yaphe, an Iraq specialist at the National Defense University, said that "even those who have shown the most loyalty to the regime, and thought it could survive or come back, can't be putting much hope on Saddam's returning if his sons are not alive."

News of the two sons' deaths, she said, "is not going to stop all of the attacks against us." But, she added, "it could weaken, it could lower the degree of them." She cautioned, though, that "there are going to be some people who are going to be cranky no matter who is alive or dead, because they have nothing to lose."

One Bush administration official said tonight that the United States carried the burden of proving to the Iraqi people, and indeed to the Arab world at large, that the two sons were actually dead, and that Pentagon efforts to produce evidence of Mr. Hussein's brutality to his own people would continue.

General Sanchez acknowledged that providing public proof was essential, and promised to provide more details at a televised briefing in Baghdad on Wednesday.

Deputy Defense Secretary Paul D. Wolfowitz told reporters on Monday, after completing a five-day trip to Iraq, that the allied public information campaign must do a better job of promoting the occupation's accomplishments and debunking the guerrilla propaganda.

The mission today may also have a positive effect far beyond quieting the resistance, because it could serve as a big morale boost for the soldiers who have lived, fought and patrolled in the desert for months.

In fact, while Pentagon officials cautioned that they had only preliminary reports from the battle, one military officer briefed on the mission said Apache helicopters flown by the 101st Airborne had performed admirably, which could polish an image of the choppers that some say was tarnished early in the war.

In late March, when army aviation mounted its first attack on Republican Guard forces, the Apaches of the 11th Aviation Regiment were surprised by an Iraqi tactic of throwing up a wall of small-arms fire that downed one helicopter and damaged more than two dozen others.

Missions like the one conducted today often call up the fearsome AC-130 gunship, an Air Force Special Operations plane that carries aloft heavy machine guns and cannon, but the Apache received the assignment for close-air support today and did well, military officials said.

That Mr. Hussein's two sons could elude 160,000 troops for so long begs the question of whether it was the \$15 million reward on each son's head that inspired the betrayal, or something else.

American intelligence officials say Mr. Hussein's former secretary told interrogators that the Iraqi leader split from his two sons on April 10. Uday and an aide fled to Syria, but were forced back into Iraq. Saddam Hussein was not believed to have been at the site of the raid.

"It's only a matter of time before we find Saddam Hussein," Mr. Bremer said, "and I hope that day is a day earlier now."

The Ruthless Excesses Of A 'Wolf' And 'Snake' (WPost)

Hussein's Sons Had Contrasting Personalities but Similar Vices

By Pamela Constable

The Washington Post, July 23, 2003

BAGHDAD, July 22 -- They were known to many Iraqis as "the wolf" and "the snake."

Saddam Hussein's elder son, Uday, 39, was the wolf -- a sadist who tortured athletes for losing matches and had henchmen snatch women and girls off the street, a tantrum-thrower who beat underlings and rivals to death, a showoff who collected fast cars and jungle pets.

Qusay, 37, was the snake -- a son who was subservient to his father in public but who quietly amassed enormous power through his control of state intelligence and security services, oversaw the brutal crushing of rebellious political movements and emerged as Hussein's heir apparent.

Together the two men, who American officials said were killed tonight when U.S. troops stormed their villa hide-out in the northern city of Mosul, symbolized the two faces of a family-run dictatorship that was capable of both stealthy and flamboyant evil.

Although Hussein is still missing, the deaths of his two sons and closest aides are likely to have an enormously liberating psychological impact on a country where their rumored exploits were a source of both Machiavellian mystery and Felliniesque revulsion.

Author Con Coughlin wrote in "Saddam: King of Terror" that even as teenage schoolboys, Uday was "loud and vulgar while Qusay was quiet and calculating." Both of their first, arranged marriages failed, but Uday's departed bride was covered with cuts and bruises, while Qusay's union was quietly dissolved.

In the years after Hussein became president in 1979, the brothers took on dramatically different roles in their father's empire, with Uday receiving higher-profile positions in sports and propaganda and Qusay getting tasks that were more discreet and central to Hussein's consolidation of power.

Uday's portfolios befit his penchant for publicity, muscle and high living. He was named chairman of the Iraq Olympic Committee in 1984, as well as head of the Iraq Football Association, where he earned a terrifying reputation for cruelly punishing national soccer and track team members who lost important competitions.

Iraqi athletes who escaped to the West reported to human rights groups that when teams lost, Uday administered whippings to the players, made them crawl on hot asphalt, dunked them in sewage tanks and forced them to kick concrete balls.

He was also involved in press and propaganda work as the owner of a daily newspaper and a television channel for youth, and as the head of the Iraqi Journalists' Union -- positions that essentially allowed him to dominate the Iraqi media. Former aides in his radio and TV stations said he often beat their feet with iron rods for making small mistakes, such as being late or misspelling a word.

Meanwhile, according to numerous accounts, Uday's personal life was a soap opera of drunken brawls, family feuds and playboy sex, played out against a backdrop of opulence and excess that was partly financed by international smuggling. Said to be one of the wealthiest men in Iraq, he bought dozens of European sports cars and kept imported lions and tigers as pets in his palaces.

Uday's temper was violent and uncontrollable. He beat a servant to death, killed an army officer for refusing to let Uday dance with his wife, and in 1988 murdered his father's favorite bodyguard and food-taster, an act that soured Hussein's opinion of his elder son and putative heir.

Finally, in 1996, after a series of vicious family feuds during which he tried to murder an uncle and helped orchestrate the execution of two of his father's sons-in-law who had fled the country and then been lured back, Uday barely survived an assassination attempt that left him partly crippled and politically even weaker.

Qusay, in sharp contrast, spent his twenties and thirties quietly acquiring power as an indispensable confidante, hatchet man and security operative for his father. In public, he was often described as sitting quietly at his father's elbow, impeccably dressed, taking notes and letting others do the talking.

But Hussein, who was obsessed with security and repressing dissent, entrusted his younger son with increasingly important and sensitive tasks. In 1991 Qusay personally oversaw the brutal end to an uprising by Shiite Muslims. He also directed an operation to drain Iraq's vast southern marshes so anti-government insurgents could not use them as hiding places.

By the mid-1990s, having proven his loyalty and ruthlessness, he was given authority over Iraq's elite Republican Guard, and was put in charge of the Special Security Organization, a combination of personal guard for Hussein, secret police and liaison with the military forces.

Perhaps his most delicate assignment from Hussein was to head a group whose task was reportedly to oversee Iraq's supply of unconventional weapons and hide them from U.N. inspectors. Because of his close relationship with his father and his control of various security operations, Qusay became the second-most powerful man in Iraq.

Although it was less well known, he could be as cruel as his brother, and one American analyst described him as a "vicious killer." He reportedly ordered prison populations reduced by mass executions and supervised the killing of some inmates by an especially hideous method: putting them through shredding machines.

Qusay also lived a luxurious life, raising peacocks and gazelles on private farms and sending aides to Europe to buy the best whisky. But in the mind of the Iraqi public, the exotic excesses and gratuitous cruelty of Uday are likely to remain the defining image of a regime that, until three months ago, literally knew no limits on power.

Sons Followed Father's Cruel Path (USAT)

By Susan Page

USA Today, July 23, 2003

They were their father's sons in more ways than biology. Uday Hussein, the oldest of Saddam Hussein's five children, was unstable, capricious and cruel, known for his rapacious sexual appetites and his fondness for the falaqa, a medieval instrument of torture he was quick to use on those who crossed him.

Qusay and Uday Hussein were competing to succeed their father, Saddam Hussein.

AP file

Qusay Hussein, two years younger, was organized and ruthless, an enforcer who modeled even his bushy mustache and style of dress on the father he was being groomed to succeed. (Related item: Profiles of Uday and Qusay)

The announcement that the two brothers had been killed in a six-hour firefight with U.S. forces in Mosul on Tuesday was the most powerful sign since the fall of Baghdad that the circle was closing on Saddam's regime. The sons who were once the public face in Iraq of Saddam's control, on the lam for months, were dead.

"It's a blow to the resistance - at least the organized resistance - to the U.S. forces in Iraq," says Ibrahim Al-Marashi, an expert on Iraq at the Monterey Institute of International Studies. Qusay, he notes, had been in charge of Iraq's security forces, the remnants of which are said to be behind some of the attacks on U.S. forces.

A rapid-fire raid in Mosul

Monday night

Iraqi source tips U.S. military about the whereabouts of Saddam Hussein's sons.

Tuesday

8:45 a.m. Iraq time (12:45 a.m. ET): A small force of U.S. troops arrives at a residence in the northern city of Mosul and is denied permission to search it. Troops withdraw.

10 a.m.: About 300 troops and 25 vehicles return. U.S. forces ask those inside the house to surrender but are met with small arms fire. Firefight breaks out, including Kiowa helicopters firing rockets.

3-4 p.m.: Operation ends, and bodies of four males are removed.

Late evening:

U.S. Central Command confirms that two of the dead are Saddam's sons

Kenneth Katzman, a Middle East expert at the Congressional Research Service, was more cautious. He said the sons' demise wasn't "a magic stroke of lightning that will end the guerrilla campaign," which he notes is motivated not only by loyalty to Saddam but also by Arab nationalism.

Still, analysts say, for those Iraqis fearful Saddam might somehow stage a comeback, the news that Uday and Qusay were gone might help convince them that it's time to cooperate with U.S. forces - and safe to do so. The brothers were outranked by only one figure whose whereabouts is still unknown: Saddam himself.

In recent months, new stories about old acts of brutality by the brothers have been told by former associates and victims. A Vanity Fair profile described Uday's obsession with raping girls as young as 12 or 13. He ordered hundreds of them sent to him from schools in poor neighborhoods and demanded others from Baghdad's elite families. Time reported last month that he had ordered two brides dragged screaming from their weddings and brought to him. Knowing what had happened, one groom took a pistol and killed himself.

Athletes who escaped Iraq reported that they faced jail or torture for failing to win games for Uday, who headed the National Iraqi Olympic Committee. Even friends said they would be hung upside-down on the falaqa, so their soles could be beaten for transgressions as slight as being a few minutes late to meet with him.

"Uday was the more deranged of the two," Al-Marashi says.

He was too violent even for his father. Uday fell from favor when he used a club or electric pruning knife - reports differed - to kill one of Saddam's closest friends in 1988, purportedly because the friend had introduced Saddam to his second wife. His father sent Uday to jail but eventually welcomed him back.

He re-emerged even more brutal. That behavior was reinforced again when he was gravely wounded in an assassination attempt in 1996. He was able to walk again after a German surgeon replaced his shattered left femur with titanium. He was often in pain.

His passions included expensive European sports cars - he had hundreds - and flashy Italian suits. His rival was Qusay, who despite being younger was entrusted with more responsibility. Uday was in charge of the paramilitary Fedayeen, but Qusay commanded the elite Republican Guard.

Qusay reportedly disapproved of his brother's public drinking and outrageous sexual exploits. Qusay, who had four children, projected the image of a family man.

But he could be equally ruthless. At the end of the Persian Gulf War, Qusay proved himself to his father by crushing a Sunni uprising. He executed some of those captured himself.

Both men amassed huge fortunes and lived in elaborate palaces. They would sometimes share a drink at the posh Jadriyah Equestrian Club or the Baghdad Boat Club. U.S. envoy Paul Bremer said Tuesday he was surprised the two hadn't gone to separate hiding places.

They were together on Tuesday, when it was all over.

For Brutality, Hussein's Sons Exceeded Even Their Father (NYTimes)

By JUDITH MILLER

The New York Times, July 23, 2003

Though very different from each other yet equally despised and feared by Iraqis, Uday and Qusay Hussein - Saddam's two eldest sons - personified the terror of their father's rule.

Their deaths, therefore, are the clearest indication to date that Mr. Hussein's era is over and power has passed to the Americans and their Iraqi and foreign allies.

Individually and together, Uday, 39, and Qusay, 37, represented the future of the Hussein government. As a result, they were intensively hunted by American military forces in Iraq, appearing respectively as No. 3 and No. 2 on the allies' list of most-wanted people from the former government. On July 3, the United States military put a reward of \$15 million each on their heads, and offered \$25 million for their father.

"They were the classic 'sons of,' " said Danielle Pletka, of the American Enterprise Institute, in Washington. "Whereas their father shot and clawed his way to the top, they knew nothing except the vicious dictatorship he had created, which meant they were even more ruthless than their father."

Qusay Hussein, who was believed to be his father's chosen successor, headed Iraq's intelligence and security services, including the Republican Guard and its elite units that were responsible for protecting the leadership. Former United Nations weapons inspectors said he was also responsible for overseeing Iraq's unconventional weapons.

Stephen Black, a former inspector and chemical weapons expert, said that by virtue of his control of the security services, Qusay would have known, for instance, "whether they had chemical weapons, how many they had, and where they were deployed." He said Qusay would also have known whether, as several defectors and other sources have alleged, Iraq had abandoned an active nuclear program to focus on chemical and biological weapons.

Finally, he said, Qusay would have known not the exact hiding places but the "broad brushes of the concealment policy and practices - whether Saddam had destroyed or hidden weapons or the capability for just-in-time production, and what the goals of this concealment were."

Characterized by Iraqi defectors as quiet and sly, but very brutal, Qusay Hussein stayed out of the public eye, in sharp contrast to his older brother, whose greed and violent rampages were the stuff of many legends - often based in fact - circulating through Saddam Hussein's Baghdad.

Human Rights Watch, the New York-based group, and other experts have said that Qusay implemented the revenge killings and terror after the uprising that followed the Persian Gulf war in 1991. The same sources say he also engineered the draining of the southern marshes after the 1991 attack on Iraq, to eliminate the reeds in which insurgents had taken refuge. The draining of the marshes ended a centuries-old way of life for marsh Arabs.

The rights group also accused him of supervising the "cleansing" of overcrowded prisons by killing several thousand prisoners by shooting or torture.

In 2000, Saddam Hussein gave Qusay effective control of the army, and just before the American invasion this year, charged him with defending Baghdad.

The brothers were intense rivals, said Kenneth M. Pollack, the author of a book about Iraq, "The Threatening Storm," and the director of research at the Saban Center at the Brookings Institution, in Washington. Uday's resentment of his younger brother grew as his own power waned following an assassination attempt in 1996 that left him with a bullet in his spine and partly crippled.

Iraqi exiles agreed that Uday Hussein, the eldest of five children, personified the government's random brutality. Human rights groups and Iraqi exiles accused him of routinely kidnapping women off the streets, raping and sometimes torturing them, and personally supervising the torture and humiliation of hundreds of prisoners. Such conduct earned him the title "Abu Sarhan," the Arabic term for "father of the wolf."

In October 1988, at a party given in honor of the wife of President Hosni Mubarak of Egypt, Uday bludgeoned to death Kamal Hana Gegeo, a valet to his father. Mr. Mubarak subsequently called the young man a "psychopath."

Soon after that, Uday's violent, erratic behavior led his father to banish him to Switzerland for a time, but Uday returned and gradually reclaimed some power. For a time, he owned Babel, Iraq's most widely circulated daily newspaper, and Youth TV.

But he was most infamous for his stewardship of his country's National Olympic Committee. Since Mr. Hussein's government collapsed in April, former Iraqi sportsmen have come forward to tell journalists of Uday's cruelty, and his routine torturing and jailing of athletes, particularly those who lost important matches, or games that he attended.

A New York Times reporter who visited the National Olympic Committee building after the Hussein government fell saw torture contraptions that included a sarcophagus, with long nails pointing inward from every surface, including the lid, so victims could be punctured and suffocated.

Uday was also known for his collection of luxury cars at his mini-palace in Baghdad, where American troops were also said to have found a personal preserve of rare animals and a veritable trove of cigars and alcohol.

Uday gradually won a vote of confidence from his father by creating the fedayeen, paramilitary units that attacked American and coalition forces fighting their way north toward Baghdad.

Sons Of The Father (WPost)

While Saddam Ran Iraq, Uday and Qusay Ran Amok

By Sharon Waxman

The Washington Post, July 23, 2003

Someday in the not too distant future, Iraqi parents will tuck their children into bed at night and, like Scheherazade, tell them tales of Uday and Qusay, the notorious sons of Saddam.

This is how people talk about them even now.

Uday, 39, was the loud, preening one. Qusay, 37, was the quiet, calculating one. Both were pampered sons of a murderous tyrant, handed the power to inflict pain and demand pleasure at will from an early age. What could anyone expect? They learned to abuse their power with pathological glee and unbridled egotism.

Wouldn't anybody?

Here's a small example: When Uday built yet another massive palace in the middle of Baghdad, he was dissatisfied with the noise of fast-moving traffic passing beside the compound. So he had a single-lane overland bridge built nearby to divert the cars and slow them down. It created traffic jams in the city, but at least his yard was quiet.

Both brothers had many palaces, exotic pets, women, jewelry and, in Uday's case, hundreds and hundreds of cars. Both had made untold millions trafficking in contraband under U.N. sanctions. Remember Qusay and his goons pulling up in front of the Iraqi central bank and withdrawing a billion dollars hours before the U.S. bombing began? Biggest bank heist in world history? That's the kind of thing we're talking about.

The city of Baghdad cowered in the shadow of Hussein's sons, most especially Uday. People knew, more or less, how to avoid Saddam Hussein's wrath. But there was no predicting the fits of pique that might seize the filial boogeyman.

Everybody knew that Uday, a party animal, would help himself to another man's wife -- usually just for a night or two -- if he felt like it, and share her with his entourage, if he felt like it. Sometimes he took the bride on her wedding night, in her gown. Sometimes the groom would be found dead later, a suicide. Sometimes the bride would be found dead later, too.

Everybody knew that if someone got on Qusay's nerves, he would send a signed death warrant to his brother, who would carry it out without question. It wasn't that Qusay minded bloodying his hands, he didn't. He liked to shoot suspected traitors in the head.

But he did mind getting his hands dirty; he had a phobic fear of germs and didn't want anyone, even his children, to touch him. Kissing is big in the Arab world, but not around Qusay Saddam Hussein.

Saddam Hussein had good reason for his paranoia. People were trying to kill him all the time. If he had food tasters and a special chef who traveled with him, it was because there were others trying to poison him. His bloodthirsty behavior usually had a purpose behind it, to terrorize his people into submission, and to intimidate his enemies.

No such logic could explain the behavior of Uday Saddam Hussein. Indeed, few in history can top him for pathological jealousy. Perhaps psychologists will study him in the future and find a name for Uday's particular brand of irrationality: "Uday-pensation," a very advanced form of penis envy.

Once Uday and his friends were at the Jadriyah hunting club in Baghdad, where the popular singer Kathem Saher was performing. Women had flocked around the handsome crooner's table, asking for autographs.

Uday was enraged. He ordered Saher over to his table and said he wanted an autograph, too. Then he handed the singer his shoe, offering him a terrifying dilemma -- should he insult Uday by signing the lowly thing, or insult Uday by not signing it? The singer signed the shoe. Then he left the club and the country immediately, knowing he'd be dead if Uday ever saw him again.

As the head of Iraq's Olympic committee, Uday was a sports buff. His method of motivating athletes was to threaten them with torture if they lost. But sometimes he tortured them if they won, too, if he thought a player was getting more attention from the fans than he.

He tortured star members of the soccer team. He tortured members of the Olympic wrestling team. Sometimes he just beat them and threw them in a cell for several days. Other times he used one of his favorite medieval methods, called *falaqa*, hanging the victim upside down and beating him mercilessly on the soles of the feet. Uday used to like to torture his friends -- who needed enemies, really? -- for little infractions. If you were late for a meeting, for example, you might get beaten. He'd beat the butler for having body odor. He'd beat the maid for giggling out of turn. He'd beat an official of the radio and television authority if there were grammatical mistakes made on the air.

Doesn't anyone see a television movie in this?

Uday liked television. He was in charge of the national media, which meant he controlled the airwaves. A movie buff, he would steal the satellite signal for films aimed at other countries, and broadcast first-run Hollywood movies free on Iraqi television. People in Baghdad have seen "Lord of the Rings" and "Lord of the Rings: The Two Towers." They've seen "The Matrix." They missed "Matrix Reloaded" because Uday was busy running from the American invasion.

Here was Uday's problem: Daddy didn't love him enough. Uday was too unstable even for Saddam Hussein (this is saying something), and the dictator had long before elevated the younger son to positions of real responsibility, naming Qusay head of the Republican Guard and putting him in charge of military intelligence and the special security forces. Qusay was a murderer you could count on.

Uday, on the other hand, only got to control the state media, youth culture and sports. His title as head of the Fedayeen Saddam was a nominal one. Apparently, it wasn't enough.

In 1996, Uday's enemies (former friends, perhaps) finally had had enough of his bullying behavior. Assassins attacked him in his car in the chic Mansour district, shooting into his entourage and nearly killing him. The attack left Uday with permanent damage, provoking a stroke and afflicting him with frequent seizures. Walking became difficult. Sex, according to the local gossip, became impossible.

Guess what? It made Uday even more sadistic. Doctors in Baghdad tell of going to Uday's palaces to pick up unconscious women.

Uday would go out to the city's private clubs and "invite" a group of girls back to his house. He'd get them drunk, and drug their drinks. But then when he couldn't perform sexually, he'd beat them. Doctors would be called to remove the victims.

Was it a problem of education? The boys were spoiled, more than a bit. They weren't shown much discipline as children. They got used to having their way. It's the kind of thing that happens when Daddy is a dictator busy maintaining a regime of terror during the day, and supervising the interior decoration of an endless succession of palaces in his free time.

In elementary school, every week there would be a ceremony to honor the best student of the week. Guess what: It was always Uday! In high school it was not unusual for Uday to show up at Saddam's alma mater, Kharkh High School, wearing a bandoleer filled with live ammunition. Once, when he broke his leg, his class had to move to a classroom on a lower floor to accommodate him.

It was a small step from there to having a bridge built to keep the traffic noise near his yard to a minimum. (Another bridge near the presidential compound, the 14th of July Bridge, was reserved for Uday's use alone.) But all that is in the past. As wild, joyous gunfire erupted through the streets of Baghdad last night, leading many residents to celebrate the brothers' demise from the safety of their bedrooms, it seemed that the legend of Hussein's sons would surely outlive them.

Sons' Deaths A Turning Point In Campaign (LATimes)

U.S. assault is likely to weaken motivation and perhaps coordination of Iraqi resistance as well as change the subject in Washington.

By Robin Wright

The Los Angeles Times, July 23, 2003

WASHINGTON - The deaths of Saddam Hussein's powerful sons Tuesday is a badly needed boost for the Bush administration, a major strategic gain for U.S. forces battling Iraqi resistance and a boon for the fragile new governing council in Iraq.

The raid in the northern city of Mosul, perhaps the most dramatic event in Iraq since the toppling of Hussein's statue in downtown Baghdad more than three months ago, signals a psychological turning point, according to U.S. officials and experts on Iraq, because the United States has proved that it can achieve key postwar goals.

The killing of Uday and Qusai Hussein in a six-hour siege might also be more important in the long term than capturing or killing the aging former Iraqi leader.

"As long as his sons lived, there was always the danger that the dynasty would try to make a comeback. Symbolically, it's very, very important to have eliminated the sons," said Henri J. Barkey, an expert on Iraq and a former member of the State Department's policy planning staff.

Three years ago, Hussein anointed as his political heir his second son, Qusai, who ran military and intelligence units for his father, according to Amatzia Baram, an expert on Iraq and a fellow at the U.S. Institute of Peace in Washington.

In a brief written statement, the White House said Hussein's two sons would "no longer cast a shadow of hate on Iraq."

But officials and analysts differed over the role the brothers might have played in planning or coordinating attacks on U.S. forces in Iraq. Some said the brothers were spending too much time hiding to be involved, while others said the two remained active.

The attack is "clearly important politically. But it could be operationally too," deputy national security advisor Stephen Hadley told reporters.

There is little evidence of centralized command in the daily guerrilla attacks on U.S. forces, many of which have occurred in the so-called Sunni triangle north of Baghdad.

Hadley said it is unlikely but not inconceivable that Hussein's sons played a coordinating role.

But Judith Yaphe, a former CIA analyst now at the National Defense University in Washington, said, "This is the big break the U.S. needed."

"It doesn't stop all the violence against us, but this could cut it significantly on the widely held assumption that Uday and Qusai were encouraging or running some of the groups that have been attacking us."

Even though the deaths of the second- and third-most-wanted figures from Hussein's regime are unlikely to change the desire of many Iraqis for the United States to leave as soon as possible, it will help Iraqis focus on the future.

"This may not make Iraqis any fonder of us, but it does allow them to focus on progress in reconstructing the country politically and physically," Yaphe said.

The 22 men and three women on the new Iraqi governing council, which was established this month, were chosen to broadly represent Iraq's major ethnic and religious communities as the country struggles to craft a post-Hussein era.

They will help form policy as Iraq embarks on a process that is expected to establish an interim administration, a constitutional convention, elections and a new government.

In Washington for consultations, L. Paul Bremer III, the chief U.S. administrator for Iraq, said the fact that Baghdad's night sky was lighted by celebratory gunfire demonstrated that Iraqis were happy to be rid of an "odious regime."

Bremer said the successful strike was the culmination of growing cooperation between Iraqis and U.S. forces, which he expects to increase further.

"It's quite possible that what we'll find is more people who will be willing to come forward," he said.

He also predicted that "it won't be long until Hussein is also captured or killed."

The removal of Hussein's sons is welcome news at the White House.

Coming as the administration faces mounting questions over intelligence discrepancies and the failure to find any weapons of mass destruction in Iraq, the operation may shift the focus in Washington as well.

The White House has been struggling to take back political ground lost during the debate about President Bush's claim in his State of the Union address that the Iraqi regime had tried to acquire uranium from Africa to reconstitute a nuclear weapons program.

"It sucks up all the air and reminds us once again of the great victory that we had over there," Yaphe said.

Even though Hussein and Al Qaeda leader Osama bin Laden remain at large, the United States no longer appears so stymied by elusive enemies.

Republicans were euphoric about the military operation.

"Iraqis can celebrate the removal of yet another remnant of the Baathist regime that brutalized their long-suffering country. The frequent, dreadful discovery of mass graves containing the victims of Saddam and his family is a reminder of the justness of our cause that removed a horrible tyranny," said Sen. John McCain (R-Ariz).

But Democrats cautioned that the United States still had a long way to go.

"As important as today's events are, we cannot ignore the fact that as long as Saddam Hussein is alive, or perceived to be alive, we have not won this war," said John D. "Jay" Rockefeller IV of West Virginia, the senior Democrat on the Senate Intelligence Committee. Experts cautioned that many of the big issues, notably the search for weapons of mass destruction, are still unresolved. Finding such weapons might have been easier if Hussein's sons had been captured rather than killed. Uday Hussein is widely believed to have known a great deal about the regime's nuclear, biological and chemical weapons programs.

Yet Barkey predicted that the demise of Hussein's sons "definitely means the beginning of the end for Saddam as well."

"This will sap the morale of all those Baathists loyal to Saddam, as they will now see that the United States is doing its utmost to find him," he said. "And Saddam is much more difficult to hide than his sons."

President On Defensive Gets A Welcome Boost (WPost)

Stability in Iraq Continues to Be an Issue

By Dan Balz

The Washington Post, July 23, 2003

The killing of Iraqi President Saddam Hussein's two sons yesterday gave President Bush a welcome boost after weeks on the defensive, but he faces renewed questions and criticism if their deaths fail to stop the continuing attacks on U.S. forces or bring stability to postwar Iraq.

Administration officials and their Republican allies greeted with restraint the confirmations that Uday and Qusay Hussein had been killed in an overnight firefight in the northern Iraq city of Mosul. Privately they were relieved that the administration had received an important piece of good news.

The news came after three difficult weeks for Bush as he struggled to explain how questionable intelligence found its way into his State of the Union address and as mounting U.S. casualties in Iraq were beginning to undermine public confidence in Bush's ability to enforce the peace there. Declining poll numbers reflected his problems.

Democrats learned how quickly events and images can change the context of the political debate at home. The reports from Baghdad competed on afternoon television with the poignant West Virginia homecoming for former POW Jessica Lynch. An adviser to one Democratic presidential candidate described the news as "a firebreak" for the White House, while an adviser to another candidate said, "There's no doubt this is a short-term boost to an administration that has been on the rocks on foreign policy, particularly Iraq."

But White House officials could not fully escape controversy. Despite the good news from Iraq, they were still trying to quell the controversy over the president's State of the Union address yesterday, changing their story again on how the disputed 16 words claiming that the Iraqis had sought to buy uranium in Africa found their way into the speech. This time, deputy national security adviser Stephen J. Hadley took responsibility, the first time a senior White House official has been so clearly implicated in the controversy.

The administration's inability to put the controversy to rest speaks to the larger risks ahead as U.S. forces try to bring peace to Iraq. L. Paul Bremer, the U.S. civilian administrator in Iraq, briefed 65 members of Congress yesterday and, according to Senate Armed Services Committee Chairman John W. Warner (R-Va.), made a strong case that the United States is making good progress stabilizing Iraq. But he outlined the "magnitude of the problems ahead," including providing electricity to the country.

Speaking to reporters later, Bremer expressed optimism that the killing of Hussein's sons could help accelerate the stabilization effort. He called the "celebratory" gunfire in Iraq last night evidence that the Iraqi people were relieved at the fall of an "odious regime," and said it is "quite possible" that more Iraqis will come forward with information about whereabouts of the Iraqi leader.

The relatively restrained response from Republicans belied the concern that had been building within the party about the toll the Democrats' attacks were taking on Bush. Republican leaders have launched a counteroffensive to rebut the criticism.

Incoming Republican National Committee Chairman Edward W. Gillespie sent a memo to GOP congressional leaders on Monday that accused Democrats of a "passive, reactive approach" to the war on terrorism that "would put America's fate in the hands of people who seek to destroy us." In an interview yesterday morning, Gillespie charged that Bush's opponents were seeking a standard of absolute proof that Hussein had weapons of mass destruction, and called that a "frightening foreign policy position" that would be rejected by the American people.

Reached late yesterday afternoon, Gillespie called the confirmation of the Hussein brothers' deaths "a very tangible sign of the success of our policies," but, reflecting the caution within GOP circles, declined to restate his direct criticism of the Democrats.

Republican pollster Bill McInturff said the military action "breaks the news cycle" that had put the president on the defensive. "We can have a broader discussion about the future and security of Iraq, and that broader discussion helps the president," he said.

That debate continued yesterday even as U.S. officials were seeking to confirm the deaths in Iraq, with Rep. Richard A. Gephardt (D-Mo.), one of Bush's strongest supporters in the prewar period, accusing the administration of conducting a "destructive" foreign policy marked by "chest-beating unilateralism" that had shattered U.S. alliances around the world.

"George Bush has left us less safe and less secure than we were four years ago," Gephardt said in the prepared text of a speech delivered to the American Bar Association convention in San Francisco.

Gephardt called Iraq "a looming quagmire" and said Bush has been wrong "to short-circuit the world community, to effectively shut them out when they felt we hadn't made the case." He said the administration had cheapened postwar alliances

by seeking to buy votes at the United Nations from developing countries "like some kind of global Tammany Hall every time we have a resolution to pass."

In a postspeech telephone interview, Gephardt said, "The basic point of my speech still stands and makes sense. We have a long and difficult path here to win the peace, and we need help. . . . I always believed we could win the war alone, but we can't win the peace alone."

Sen. John Edwards (N.C.), another Democrat who supported the resolution authorizing the Iraq war, called the killing of Hussein's sons "good news" that could dampen militia action aimed at U.S. forces, but he noted that there is still chaos in Iraq.

"I think the two fundamental problems are that they came into it with the lack of a plan and refused to bring our allies into the effort, and they refuse to do anything about either of these problems," Edwards said in a phone interview. He added, "The president is going to be judged on his long-term results and not this short-term result."

Former Vermont governor Howard Dean, who has been sharply critical of both Bush and the four Democratic candidates who supported the congressional resolution on the war, said, "I applaud the elimination Saddam's sons," but he added that the "major question still has to be asked: Why are we in Iraq?"

If the U.S. casualty rate declines in the next week and there are signs of greater stability, the benefits will accrue to the president, Dean said. "But I don't think it excuses the mismanagement of the Bush administration, nor do I think it excuses the misinformation they put out in getting us over there," he said.

Administration allies said yesterday that they hope the killing of Hussein's sons will lead to the capture or death of Saddam Hussein, a development they would see as a potential breakthrough in bringing stability to Iraq. Short of that, yesterday's news provided some breathing room for the president, but perhaps not much more than that.

Saddam's Sons Killed (AJC)

Bodies identified after firefight with GIs

By LARRY KAPLOW and GEORGE EDMONSON

The Atlanta Journal-Constitution, July 23, 2003

Two of Saddam Hussein's sons, among the most wanted fugitives in the world, were killed Tuesday in a firefight with U.S. troops who had gotten a tip that the brothers were hiding in Mosul, north of Baghdad.

The sons, Qusai and Odai, were listed by the United States as the second and third most wanted members of Saddam's regime. A reward of \$15 million had been posted for each.

Lt. Gen. Ricardo Sanchez, who made the announcement at a Baghdad news briefing, said multiple sources were used to confirm their identity after they died in a blaze of gunfire and rockets.

"Four persons were killed during that operation and were removed from the building, and we have since confirmed that Odai and Qusai Hussein are among the dead," Sanchez said.

News of the deaths spread slowly in the Iraqi capital, but by late Tuesday night there were bursts of what appeared to be heavy celebratory gunfire.

The head of the U.S. civilian authority in Iraq, L. Paul Bremer, was in Washington briefing U.S. senators when Sanchez announced the deaths.

"The only comment I will make about the death of the sons is that it's a great day for the Iraqi people and a great day for the American military, who once again showed their astounding professionalism in this operation," Bremer said afterward.

The Bush administration has been facing criticism, largely from Democrats, over its handling of post-war Iraq. And some public opinion polls have shown a decline in support for Bush's actions in Iraq. Eliminating two major figures from the regime could give a boost to the administration, some political analysts said, especially if the action is viewed positively by Iraqis.

Sanchez, head of U.S. ground forces in Iraq, said he expects the deaths to have an impact on the recent guerrilla-style assaults on U.S. troops. American forces have come under daily attacks. An ambush by guerrillas late Tuesday north of Baghdad killed one U.S. soldier and wounded another.

Huge reward likely

"This will prove to the Iraqi people that at least these two members of the regime will not be coming back into power, which is what we've stated over and over again," Sanchez said. He promised to provide more details today to persuade skeptical Iraqis that Qusai and Odai are dead.

Sanchez said it was probable that the rewards -- authorized July 3 by Secretary of State Colin Powell along with a \$25 million bounty offered for Saddam as part of the "Rewards for Justice Program" -- would be paid. He declined to say who might receive the reward money.

The dramatic end of the hunt for the two key players in Saddam's government started Monday night when an Iraqi walked in off the street and told members of the 101st Airborne Division that the brothers were in a house in northern Mosul, about 240 miles northwest of Baghdad, Sanchez said.

"The six-hour operation began when the division's 2nd Brigade Combat Team approached the house and received small arms fire," Sanchez said. Special Operations Forces and components of the U.S. Air Force also were part of the 200-person operation. The resistance they met at the house was fierce, Sanchez said.

A 101st Airborne officer, interviewed at the scene by Fox News, said U.S. troops, facing repeated small-arms fire, used TOW missiles and had support from helicopters. The TV report showed a large multistory home -- said to be owned by Saddam's cousin Nawaf al-Zaydan Muhhamad -- that appeared to have been heavily damaged.

Sanchez said efforts were under way to identify the two other bodies found at the scene. Numerous news reports quoted unnamed sources as saying they were believed to be a bodyguard and the teenage son of Qusai, but Sanchez would not confirm whether one of the dead was a teenager.

Many Iraqis said they were relieved to hear that Saddam's two sons, widely feared and resented, were dead.

"I hate them. If people know [they are dead] they will be happy and sad at the same time, because Iraqis would like to kill Odai and Qusai by themselves," said graphic designer Ahmed Kareem al-Mamurry, 32. "They were the right hand to their father."

Some Iraqis said the deaths of the two sons of the toppled president were irrelevant amid the struggle to survive in chaotic post-war Iraq.

"I don't care about this, because they were the past," said civil engineer Alawi Radi al-Shamari, 31. "These people had lost power, their weapons and their army."

Some members of the 3rd Infantry Division serving in Iraq were skeptical when they learned news of the deaths.

Sgt. Andrew Coffman from Shawnee, Ok., said, "I'll believe it when I see it. Just like everything else around here."

"If it's true, that means it's two down and one to go," said Staff Sgt. Mark Strunk, 39, of Windom, Minn.

Clues to Saddam?

Odai (pronounced oh-DEYE) and Qusai (pronounced koh-SEYE) were key players in Saddam's regime, involved with everything from newspapers and the Olympics to mass executions and smuggling.

Both were in their 30s, lived luxuriously in Baghdad, employed body doubles and were believed to have fled invading U.S.-led forces with vast amounts of cash and other valuables.

Asked whether Tuesday's operation had provided leads to Saddam's location, Sanchez said only that troops were "continuing to exploit the site and everything that we captured in that raid."

Getting Saddam has been a top U.S. priority. At least twice during the war, the U.S. military struck locations where Saddam was thought to be, but neither attack appeared to be successful. In recent weeks, several recordings reputedly made by Saddam have been broadcast in the region.

As terrorists have hit U.S. forces in the weeks following the end of the war's major combat operations, more and more officials -- including Bremer -- have highlighted the necessity of capturing or killing Saddam.

Sen. Susan Collins (R-Maine) recounted Tuesday the sense of fear of Saddam she found during a recent trip to Iraq. "There's a pervasive climate of fear that is impeding the recovery, particularly in central and southern Iraq. There is a fear that he will return, that he will come back," she said.

What The Hussein Brothers' Deaths Mean For Iraq (Time)

The U.S. has struck a body blow against the Baathists, but resistance will likely continue. And UN backing may now be the key to completing the mission

By TONY KARON

Time, July 23, 2003

Just when the U.S. desperately needed some good news out of Iraq, the special task force hunting for Saddam Hussein turned up, if not their top prize, the next best thing: The dictator's sons. Uday and Qusay, two of Iraq's most notorious tormentors (and, in Qusay's case, his political heir) were holed up in a house in the northern city of Mosul. Helped by the 101st Airborne, the task force stormed the house and, after a fierce firefight that lasted hours, the Pentagon reported that two of the four charred corpses found inside were identified as belonging to Iraq's second- and third-most wanted men.

The elimination of Saddam's widely feared sons will be a dramatic blow against the resistance that has plagued the U.S. occupation forces: Paul Bremer, Washington's viceroy in Baghdad has long insisted that the capture or killing of Saddam and his sons would break the psychological grip of the old regime on many Iraqis. Their deaths mark the sharpest signal yet that Saddam isn't coming back, and that he will eventually be found by the Americans. And that message will boost the confidence of those Iraqis inclined to work with the occupation authority, while demoralizing Baathist resistance fighters by eliminating two of their key political leaders and warning them that the capability of U.S. intelligence to detect Baathist leaders is growing. Equally important, it will provide an important morale-booster to U.S. troops straining under the weight of an often thankless mission.

Still, despite the blow of losing Qusay and Uday Hussein, nobody's expecting the still-intensifying resistance will suddenly abate. U.S. officials have said repeatedly they don't believe the attacks on coalition forces - averaging somewhere between 12 and 20 a day - are being directly orchestrated by Saddam and his family, but are instead carried out by cell structures organized on regional and local lines. Just last week, Centcom commander General John Abizaid warned that the resistance fighters were clearly digging in for a long fight, in which case they would have steeled themselves for the likelihood of sustaining significant losses - even Saddam himself. For that reason, some key events that played out in Washington and New York Tuesday will ultimately be as important to the future of Iraq as the raid in Mosul.

Even as U.S. troops were trading fire with Saddam's sons, Bremer was in Washington to urge Congress to substantially, and urgently, increase its commitment of money and personnel to the Iraq mission. An independent study of U.S. efforts in Iraq commissioned by Bremer and Defense Secretary Don Rumsfeld (downloadable from the Center for Strategic and International Studies) had already sounded the alarm last week, warning that the coalition's window of opportunity to remake Iraq on stable, friendly terms is closing fast. "The 'hearts and minds' of key segments of the Sunni and Shi'a communities are in play and can be won," the report noted, "but only if the Coalition Provisional Authority and the new Iraqi authorities deliver in short order." Saving the situation requires a dramatic turnaround in the security situation, and an urgent injection of funds and administrative personnel. Among other things, the report recommended that the U.S. occupation authority should:

Increase the U.S. presence: The U.S. needs to "reassess force composition and structure and troops levels" and notes that "the current configuration of composite security forces (U.S., coalition and Iraqi) does not adequately support the reconstruction mission"

Commission large-scale New Deal-style public works projects to get Iraqis employed, and slow down in the short term on the drive to privatize Iraq's economy because "many old state-owned enterprises are not competitive, but they are a major source of employment and should not be closed during this most unstable time"

Dramatically improve its communication with the Iraqi people

Quickly draw in a wider range of international allies on reconstruction

In many of these areas, the report noted, "the United States will need significant international assistance - from the United Nations, other international organizations and bilateral donors."

That conclusion squares with a growing mood on both sides of the aisle on Capitol Hill for a new U.S. effort to persuade reluctant allies to share the military and financial load in Iraq. While the Administration has gamely maintained that it already leads a broad coalition in Iraq, the truth is that the military contribution most of these allies make is negligible. Many of the countries whose armies are most capable - France, Germany and India, for example - have indicated that they will send troops only if the mission is mandated by the UN.

There's growing support in the Administration and among lawmakers from both parties for doing just that. Secretary of State Colin Powell has held talks with UN Secretary General Kofi Annan, as well as European foreign ministers on seeking an additional UN mandate for an international force to back up U.S. troops in Iraq. But the political price will not simply be a few slices of humble pie for an Administration that had warned that the UN would become irrelevant if it failed to back the war. The consensus at the UN is likely to be for a significantly expanded role for the international body in supervising the political transition in Iraq.

Of prime concern to the UN: Giving Iraqis an early voice in the creation of their government. The Security Council met Tuesday in New York to consider veteran Brazilian diplomat Sergio Vieira De Mello's report from Iraq, which urged that the U.S. offer a timetable for restoring Iraqi sovereignty. His report backs the Bremer-appointed Governing Council as the only mechanism to pursue that goal right now, but urges that its scope and powers be expanded, and that Iraqis be given more opportunity to choose their own leaders. De Mello has already played a major, if discreet, role in helping Bremer create the Governing Council. He reportedly serves as an honest broker between Bremer and constituencies in and around Iraq to which he has no access because of suspicion and hostility towards the U.S. De Mello, for example, reportedly played the major role in persuading some of the key Shiite parties to join the Council - and also in persuading Bremer to grant it wider powers.

"Our collective goal," Annan said introducing the UN report Tuesday, "remains an early end to the military occupation through the formation of an internationally recognized, representative government." Achieving that objective is also, of course, the exit strategy that many on Capitol Hill are demanding, suggesting that despite the prewar tensions, the U.S. and UN may yet reach accord on, and in Iraq. And that news, together with the killing of the brothers Hussein, will be welcomed by most Iraqis.

When Uday And Qusay Didn't Give Up, Bullets Started Flying (USAT)

By John Diamond and Tom Squitieri

USA Today, July 23, 2003

From the moment the tip from an Iraqi informant came in sometime Monday night, elements of the 101st Airborne Division needed only hours to zero in on the imposing house in the northern Iraqi city of Mosul. The U.S. troops were ready to take its occupants quietly if they could, by force if they had to.

The informant - identified in some reports as the house's owner, a cousin of Saddam Hussein and a local tribal leader - came to U.S. forces with word that Saddam Hussein's two elder sons, integral and brutal officials in his regime, were hiding out in a Mosul neighborhood.

It was like hundreds of tips U.S. troops and intelligence officers field every day in Iraq. But this one included detail that captured the attention of U.S. commanders: The house in question had already been under surveillance as a suspected way station for members of Saddam's ousted regime trying to escape to Syria.

The tip triggered an intense military operation that eventually involved CIA operatives, special operations troops, ground forces and aircraft.

By 8:45 a.m. Iraq time Tuesday, a small group of U.S. troops arrived at the house and asked the occupants for permission to search. Permission was denied. The troops withdrew, but only temporarily. An hour later, a much larger force, at least 100, moved in. By 10 a.m., more than 300 members of the 101st Airborne Division along with special operations units had the concrete building surrounded.

Demands that the occupants surrender were met by small arms fire from inside. That touched off a fusillade from the U.S. troops. At the height of the firefight, witnesses said, hundreds of U.S. troops poured fire into the thick-walled concrete villa, while Kiowa helicopters rocketed the building from the sky.

The intense fire wrecked the interior of the house and left its high facade riddled with bullet holes. Two adjacent homes were severely damaged, and some Mosul citizens were caught in the crossfire. It was not known how many were injured, but several were taken to a hospital.

Four hours later it was all over. Four badly shot-up bodies were inside the house. By Tuesday afternoon, the bodies were at a U.S. military base at Bayji, a town about halfway between Baghdad and Mosul.

Several Iraqi officials in Saddam's regime already in custody positively identified two of them as Uday and Qusay Hussein - after Saddam himself the two most wanted men in Iraq. The Bush administration had scored a huge victory in a war that has grown costly in American lives in Iraq and taken a political toll on the president at home.

As celebratory gunfire erupted in Baghdad, U.S. officials exulted in Washington and predicted that the cooperation that led to an almost Wild West-style shoot-out Tuesday would soon bring U.S. forces to Saddam's doorstep.

"This is a really great day for the Iraqi people," said Paul Bremer, the U.S. administrator of Iraq, after he briefed lawmakers in closed session at the Capitol. "We've seen an increase in informants coming forward to our military, to our intelligence people, and to our police in the last three weeks," he said. "It's only a matter of time before we find Saddam Hussein."

In Baghdad, U.S. military commanders provided few details of the raid but viewed it as a turning point in the struggle to restore order to Iraq almost three months after the Bush administration declared an end to major combat operations.

Proof they're gone

"I believe very firmly that this will, in fact, have an effect," Lt. Gen. Rick Sanchez, commander of coalition ground forces in Iraq, told reporters at a Baghdad news conference. "This will prove to the Iraqi people that at least these two members of the regime will not be coming back to power."

A pervasive fear among Iraqis that Saddam and his sons, known for their ruthless rule, would somehow stage a comeback has haunted the U.S. mission in Iraq for weeks, hampering efforts to pacify loyalists to Saddam's Baath Party and to gain full cooperation even from those Iraqis who hated the dictator.

Capturing or killing Saddam and his sons was regarded as essential to the success of the U.S. mission. And a special team dispatched by Defense Secretary Donald Rumsfeld to assess the situation had reported back last week that time was running out if the mission was to succeed.

AP

Iraqi ruler Saddam Hussein poses with his two sons Odai, left, and Qusai in this undated file photo.

Two other Iraqis were killed in the firefight: one a bodyguard, the second tentatively identified as a 14-year-old who may be Qusay's son.

U.S. forces and Iraqi police entered the villa and conducted a search. The U.S. troops were, in the term of art, "exploiting" the site for any information about Saddam's whereabouts.

About 1,000 Iraqis gathered outside, some expressing delight, others cursing the Americans.

Mosul, a city of 1.5 million 240 miles northwest of Baghdad, had been rife with rumors that senior regime members were hiding there. They would not have been in what Saddam would consider friendly territory. While Arabs loyal to Saddam live in Mosul, the population includes a mix of Kurds, Turkmen and Assyrian Christians, groups repressed by Saddam's regime.

The mission was not an unqualified success. U.S. intelligence had badly wanted Saddam's sons captured alive. The pair was believed to be moving frequently from hideout to hideout across northern Iraq, keeping just ahead of the U.S. forces that have been pursuing them. Intelligence officials believed the two might have been among the few who had solid information on the whereabouts of Saddam himself.

"They had the opportunity to hand themselves in to justice and answer for their crimes. They refused to do this," British Foreign Secretary Jack Straw said in a statement issued in London.

"It goes without saying that we would much have preferred this. But the news that Saddam's sons are no longer a threat to the security of Iraq will be a reassurance to the Iraqi people," Straw said.

'Give up or go down'

A U.S. intelligence official said the ability of Uday and Qusay to elude capture until Tuesday made U.S. commanders unwilling to risk their getting away. The sons were given the choice of walking out with their hands up or dying, he said.

"Resistance was futile and totally stupid," the intelligence official said. "They have slipped the noose just once too often. 'Give up or go down' was the battle cry of this operation."

Agence France-Presse news service reported that the owner of the house where the raid took place, Nawaf Zaidan, was the "walk-in" informant who tipped U.S. forces that Saddam's sons were hiding there. U.S. intelligence officials declined to

confirm that report. U.S. officials are eager to signal that they will protect the identity of any Iraqi who comes forward with information.

A female relative of Zaidan, who asked not to be named, told AFP that Zaidan "is believed to have informed U.S. forces that Saddam's sons, Uday and Qusay, Qusay's son, and a bodyguard named Abdul Samad took refuge in his house and he wanted to get rid of them."

The tipster may collect all or a substantial portion of \$15 million rewards U.S. authorities had offered for information leading to the capture or killing of the two sons. The price on Saddam's head is \$25 million.

Uday and Qusay were the "ace of clubs" and "ace of hearts" respectively on the U.S. "deck of cards" of regime officials. With their death, 36 of 55 Iraqis on the U.S. most-wanted list have been captured or killed.

Jubilation in Washington

The news electrified Washington, where the Bush administration has been struggling against an onslaught of negative news coverage focusing on the near daily casualties being suffered by U.S. forces in Iraq and the growing questions about whether the administration overstated the case about Iraqi weapons of mass destruction before the U.S.-led invasion of Iraq.

Rumsfeld canceled a planned trip to Kansas for an event in honor of former senator Bob Dole to brief President Bush. In a call to the White House at mid-morning Tuesday, Rumsfeld told the president that U.S. troops had been in a firefight in Mosul and that it looked like Saddam's two sons were among those killed. But he cautioned that it would take time to identify the bodies.

An hour later, late Tuesday morning, according to White House spokesman Scott McClellan, Rumsfeld told Bush in another call that one reliable source had verified that Uday and Qusay were dead.

Vice President Cheney lunched with Republican senators, putting out the then-tentative word that the two sons were likely dead. And at 3:30 p.m. ET, Rumsfeld called Chief of Staff Andrew Card to tell him that the deaths of the two sons had been fully verified. Card then went to the Oval Office and informed the president as Lt. Gen. Sanchez's briefing was about to begin, just before midnight Baghdad time.

McClellan said Bush called Tuesday's firefight "positive news for the Iraqi people" and praised the skill and bravery of the troops involved and of the quality of the intelligence that led to the operation.

McClellan also said it was "further assurance that the regime is gone. They were the leaders of a brutal regime."

In the confusion of gunfire across Baghdad, a unit of the Florida Army National Guard, believing that it was coming under fire, shot a man twice in the chest and shot a girl who looked to be between 6 and 8 years old once in the head.

Hussein's Two Sons Killed In Firefight With US Troops (WPost)

Tip Led Soldiers to Raid Northern Iraq Mansion

By Kevin Sullivan and Rajiv Chandrasekaran

The Washington Post, July 23, 2003

MOSUL, Iraq, July 22 -- The two sons of former Iraqi president Saddam Hussein were killed today during a lengthy and intense gun battle with U.S. soldiers who raided an opulent stone mansion after receiving a tip from an informant, the top U.S. military commander in Iraq said.

Qusay Hussein, 37, the onetime heir apparent who led Iraq's elite Special Republican Guard military force, and Uday Hussein, 39, a playboy and publisher who commanded the Saddam's Fedayeen militia, died during a military operation in Mosul, about 220 miles north of Baghdad.

"We are certain that Uday and Qusay were killed today," Lt. Gen. Ricardo Sanchez said at a late-night news conference in Baghdad. He said the bodies, which were "in a condition where you could identify them," were confirmed by "multiple sources" to be the former president's two sons.

The deaths of Hussein's sons, who earned a reputation for brutality in both their official and personal lives, could have a major impact on efforts to squelch attacks against U.S.-led occupation forces in Iraq and could also help narrow the search for the former president, military officials and analysts said.

In the latest attack on U.S. troops, one soldier was killed and another wounded in an ambush today on a road northwest of Baghdad, in an area dominated by the minority Sunni Muslims from whom Hussein drew much of his support. A Sri Lankan Red Cross technician was killed in a separate incident near the town of Hilla in central Iraq.

Although U.S. military officials said the brothers' deaths could result in an immediate wave of retribution attacks, they contended that the elimination of two such prominent figures in Hussein's hierarchy would demoralize many former soldiers, Baath Party militiamen and other paramilitary fighters who have carried out recent resistance attacks out of loyalty to the former president and his family.

"This will prove to the Iraqi people that at least these two members of the regime will not be coming back into power, which is what we've stated over and over again," Sanchez said.

L. Paul Bremer, the U.S. civil administrator of Iraq, called the deaths "good news for the Iraqi people." The White House, in a statement, lauded the military action and said that Hussein's sons "can no longer cast a shadow of hate on Iraq." British Prime Minister Tony Blair hailed the deaths as "a great day for a new Iraq."

Sanchez said a "walk-in" informer provided U.S. forces with information on Monday night about the whereabouts of the two men, who ranked immediately behind their father atop the U.S. military's list of most-wanted Iraqis. The general said the U.S. government probably would pay the informer a \$15 million reward that had been promised for information leading to the capture or death of each of Hussein's sons.

As preliminary reports of the deaths were broadcast on Arabic-language satellite television stations, thousands of Baghdad residents poured out of their homes to dance, shout and fire AK-47 assault rifles into the air. Red tracer rounds arced across the night sky, and horns blared on the capital's streets.

"We are really happy because now we can say for sure that we have gotten rid of the old regime," said Ibrahim Ali, 26, a student who ran into a street in eastern Baghdad with his rifle. "I don't believe that Saddam Hussein will be a danger anymore without Uday and Qusay."

Qusay Hussein was in charge of Iraq's most elite security services, heading the Special Security Organization service and the National Security Council in addition to the Special Republican Guard. Quiet and reclusive, he was widely regarded as his father's successor before Saddam Hussein's government was ousted.

Uday was his brother's opposite. Flamboyant and reckless, he was the heir apparent until he murdered one of Hussein's bodyguards at a party. He collected luxury cars by the hundreds and reportedly ordered his guards to snatch young women off the street so that he could rape them. In addition to controlling Saddam's Fedayeen, he published the country's most popular newspaper, ran a youth-oriented television station and was chairman of the country's Olympic committee, whose offices housed his personal jail and torture chamber.

The raid that claimed the brothers' lives began at about 10 a.m., when soldiers from the U.S. Army's 101st Airborne Division, which is responsible for a swath of Iraq that includes Mosul, swooped in on the three-story house in the city's northern Falah neighborhood. The uniformed soldiers, driving Humvees equipped with .50-caliber machine guns and vehicles mounted with Avenger missiles, were accompanied by members of Task Force 20, a combination of Special Operations forces and CIA operatives assigned to search for top leaders of Hussein's government, a senior defense official in Washington said.

Brig. Gen. Frank Helmick, the assistant commander of 101st Airborne, said the military had received intelligence reports that suggested "high-value targets" were inside the house, a gaudy stone edifice with tall, Greek-style columns in the front. Sanchez did not describe the tipster or identify the person's relationship with Hussein's sons.

Neighbors identified the owner of the house as Nawaf Zaidan, a businessman who boasted of being related to Hussein and a member of the former president's Abu Nasr tribe.

The senior defense official said early indications suggested that the two sons had been living in the house "for some time." Shahr Khazraji, 31, who lives across the street, said Zaidan told one of his neighbors that Qusay, Uday, one of Hussein's bodyguards and Qusay's son Mustafa, 14, had been in the house for 23 days.

Khazraji said he saw Zaidan leave the house with his family around 6 a.m. and return at about 9 with just his 19-year-old son. At around 9 a.m., Khazraji said, a small group of U.S. soldiers came to the front door and demanded to search the house.

Zaidan refused. A short while later, Khazraji said, Zaidan and his son were taken by the soldiers to a nearby house and told to wait there. Khazraji said he was told by the owner of the second house that Zaidan told the soldiers they could not search the premises, telling them, "I can't let you into my house because I have an important official of the government in there."

An Arabic-speaking soldier subsequently used a megaphone to order the occupants to leave, neighbors said. Helmick said his soldiers were fired upon from inside the house. Khazraji and other residents said U.S. soldiers shot first.

The exchange quickly escalated into an all-out firefight involving automatic weapons, rockets and rocket-propelled grenades. Witnesses said bullets whizzed across the street, and tonight Khazraji's house was pocked with bullet holes and .50-caliber shell casings still littered the street. Soldiers later said that up to 200 troops participated in the raid and that TOW missiles were fired at the house.

As the fire from inside the house died down, the soldiers eventually fought their way in. When they reached the second floor, they found it fortified with bulletproof glass and barricades, leading commanders to summon two OH-58D Kiowa Warrior helicopters. The helicopters fired 2.75-inch rockets and at least one missile at the upper floors of the house, sparking a fire that eviscerated much of the structure.

Helmick said his soldiers entered the house at 1 p.m. and recovered four bodies. "They came out dead," he said.

According to a senior administration official in Washington, the Hussein brothers' remains were identified by Abid Hamid Mahmud Tikriti, Hussein's presidential secretary and top security adviser, who was captured on June 16 and remains under interrogation. The other two bodies reportedly were those of Qusay's son and the bodyguard.

The house is located on an eight-lane road in a crowded residential and commercial neighborhood. There is a large mosque across the street, about 150 yards from the house.

Helmick said he had AH-64 Apache attack helicopters and other heavy arms at the ready, but "we did not use them on purpose. We took extra caution and special care to focus on precision gunning on this building."

Four U.S. soldiers were wounded in the raid, according to U.S. Central Command in Florida.

Saddam's Sons Dead (WTimes)

By Bill Gertz

The Washington Times, July 23, 2003

U.S. military forces attacked a villa in northern Iraq yesterday and killed Saddam Hussein's two sons, both former regime leaders, in a fierce gunbattle.

"We're certain that Uday and Qusai were killed today," Army Lt. Gen. Ricardo Sanchez, the commander of coalition forces in Iraq, told reporters in Baghdad. "We've used multiple sources to identify the individuals."

The deaths of the No. 2 and No. 3 leaders of the ousted Iraqi government mark a turning point in the postwar campaign in Iraq, which has been hampered in recent weeks by daily guerrilla attacks in which 39 U.S. soldiers have been killed.

Allied officials said the deaths of Saddam's sons will boost efforts to stabilize the situation in Iraq by helping to assure liberated Iraqis that the former Ba'ath Party regime will not return to power.

"I believe very firmly that this will, in fact, have an effect; this will prove to the Iraqi people that at least these two members of the regime will not be coming back into power," Gen. Sanchez said. "And we remain totally committed to the Hussein regime never returning to power and tormenting the Iraqi people."

At the White House, Press Secretary Scott McClellan said President Bush was "pleased to learn" of the raid's outcome.

"Over the period of many years, these two individuals were responsible for countless atrocities committed against the Iraqi people, and they can no longer cast a shadow of hate on Iraq," Mr. McClellan said, crediting U.S. military and intelligence forces and an Iraqi informant for the success of the operation.

In Baghdad, Iraqis celebrated by firing guns into the air after news of the deaths reached the capital. "It's celebration. People have heard about what happened," a U.S. military spokesman told Reuters news agency.

L. Paul Bremer, the U.S. civil administrator in Iraq, said after a meeting with lawmakers on Capitol Hill yesterday that it "is really a great day for the Iraqi people."

"It's a wonderful day for the fine American men and women in our services, who have shown again how competent and professional they are," Mr. Bremer said.

"The fact that Baghdad was lighted up with celebratory fire tonight shows you how important this is in meeting the real desires of the Iraqi people to be rid for once and for all of Saddam Hussein, his sons and his odious regime," he told reporters after briefing 65 senators for more than an hour about the situation in Iraq.

Gen. Sanchez declined to say how the identities of Uday and Qusai were confirmed.

Four U.S. soldiers were injured in the raid. The operation included 101st Airborne Division troops, Army Special Forces commandos and Air Force elements.

When asked whether the raid had produced leads that are helping in the hunt for Saddam, Gen. Sanchez said: "We are still continuing to exploit the site and everything that we captured in that raid."

The three-star general said the men were killed, as were a teenage son of Uday and a bodyguard, in a "fierce gunbattle" after they had barricaded themselves in a mansion located on the northern edge of Mosul, a northern city close to the Syrian and Iranian borders.

Gen. Sanchez said an Iraqi citizen volunteered information on their location. A reward of up to \$30 million for the information is likely to be paid, he said.

"It was a walk-in last night that came in and gave us the information that those two individuals were in that residence," Gen. Sanchez said.

U.S. officials said that in addition to the informant, other intelligence sources helped confirm that Uday and Qusai were hiding in the three-story building.

The identification of the other two dead persons was not confirmed, Gen. Sanchez said, noting that the bodies of Uday and Qusai "are in a condition that you could identify them."

Additional details of the raid are expected to be made public in Iraq today, Gen. Sanchez said.

Confirmation of the identities of the four bodies, through DNA testing, is under way and will take several days, U.S. officials said.

The three-hour gunbattle also raised hopes among military and intelligence officials that Saddam - who many believe may be alive - will be captured or killed in the coming days.

The elusive Iraqi leaders had avoided capture and death from U.S. bombing raids and an intensive hunt by special-operations commandos after the war in Iraq began March 19. They had been reported killed during two air strikes at the beginning and end of the conflict.

During the raid yesterday, U.S. forces used small-arms fire and TOW anti-tank missiles in an operation that began about 10 a.m. local time.

"It was a well-coordinated military operation, and we're happy with the outcome," Army Brig. Gen. Frank Helmick, who took part in the raid, told Fox News Channel from Mosul.

As U.S. troops approached the building, someone inside opened fire and the battle began, he said.

The troops were unable to get inside the building, and then fired the TOWs - wire-guided missiles - and called in OH-58 Kiowa helicopter gunships, Gen. Helmick said.

Military officials believe Uday and Qusai had fled to Mosul from areas further south after stepped-up military operations in those regions in a search for Iraqi guerrillas and former regime officials.

The leaders also may have been preparing to flee the country.

In other developments, an international aid worker was fatally shot and his Iraqi driver wounded in an attack south of Baghdad yesterday, the International Committee of the Red Cross said.

The shooting appears to be a sign that pro-Saddam guerrillas are targeting more than just U.S. soldiers.

A U.S. troop was killed yesterday and another wounded during a guerrilla attack near Baghdad. The death brings to 153 the number of American troops killed in Iraq since March.

Uday and Qusai were the top leaders in Iraq after Saddam and had been designated the ace of hearts and ace of clubs, respectively, in the U.S. military's deck of cards listing the most-wanted Iraqis from the now-ousted Ba'athist regime.

Qusai, 37, was a member of the ruling Revolutionary Command Council, which was led by Saddam, and was in charge of Iraq's intelligence and security services. He also directed the Republican Guard and Special Republican Guard forces.

His death is likely to make more difficult the search for Iraq's chemical and biological arsenal, which had been in his oversight.

Qusai was considered brutal, according to international human rights groups. One report said he oversaw interrogations of Iraqis who were tortured by being fed into shredding machines.

Military officials said they believe Uday and Qusai had made a decision not to be taken alive and, thus, fought to the death.

Qusai was considered next in line to rule Iraq after Saddam's death and was deputy commander of the Ba'ath Party's military bureau.

Uday, 39, was viewed as mentally unbalanced and had killed several people, including an aide to his father, in fits of rage, according to U.S. officials.

He was widely viewed as corrupt and ran several of the Iraqi companies that profited from the United Nations' oil-for-food program, which brought millions of dollars to Uday's pockets, the officials said.

Uday directed Iraqi state television and the newspaper Babel.

He also was in charge of the Saddam Fedayeen, the Saddam loyalists who conducted suicide attacks on U.S. forces during Operation Iraqi Freedom.

The Fedayeen also are believed to be behind some of the recent attacks on U.S. troops in Iraq.

The Plush But Always Perilous Lives Of The Dictator's Three Daughters (WPost)

Hussein and first wife Sajida flank Hala at her birthday party in about 1980. (Reuters Photos)

By Jennifer Frey

The Washington Post, July 23, 2003

Their hated father is hunted and in hiding. Their husbands are gone: Two were shot to death long ago at the behest of their father; the third -- the "loyal" one -- is now in the custody of U.S. officials. The palaces where they once lived in grandeur and privilege have been blasted by American bombs.

Now, as of yesterday, their brothers are dead. In Baghdad -- in the city where citizens celebrated the downfall of the father three months ago -- Iraqis took to the streets to rejoice over the deaths of Saddam Hussein's sons Uday and Qusay.

And so Hussein's three daughters -- Raghad, Rana and Hala -- hide. And wait. And care for their children.

Like their father, Uday and Qusay were known worldwide for the horrors and atrocities they perpetrated on the Iraqi people, and have been hunted since the start of the war. The sisters, though, are a different story. They mostly lived in the background, as is traditional for Muslim women, while their father and brothers committed their terrible crimes. Their names and faces are not well known outside Iraq. And their future is anyone's guess.

According to a telephone interview Raghad gave to the Times of London in mid-June, she and Rana and their combined seven children fled Baghdad the day the city fell but remained in the country, in a small house in an undisclosed location. Hala, the youngest of the sisters, is hiding elsewhere with her children. Her husband, Gen. Kamal Mustafa Abdallah Sultan al-Tikriti, was No. 10 on the list of Iraq's 55 most wanted. He surrendered to U.S. forces on May 17.

Hussein's youngest son, Ali -- born to his second wife, Samira Shabandar, in the 1980s -- is believed to be in Switzerland. Both of Hussein's wives also are believed to be in hiding.

"Once Baghdad fell it was all so quick, all the family went our own ways," Raghad told the paper. "I am not in touch with any of them."

In the interview, Raghad described how she and Rana and their children feared being killed by American missiles the night the war began. "It was just terrifying," she said. "The first night I was on our farm in Baghdad with my sister and our children and 10 missiles fell all around us. We just got to the shelter so we were not hurt but we were very scared."

Their life in seclusion was far different from what she was accustomed to as the daughter of Hussein, she told the newspaper. "I spend my days cooking typical Iraqi food, washing dishes, doing housework, laundry," she said. "I do things I never did in the past because since I was a child we always had maids, housekeepers, and lived in big houses with swimming pools."

Some of that life, though, was lived under house arrest, at the order of her father. The relationship between father and daughters is a twisted one, yet another tangled branch in Hussein's dysfunctional family tree. Raghad, who was born in 1967, and Rana, born in 1969, married brothers who held prominent places in Saddam Hussein's regime. In August 1995, the two men -- Hussein Kamel Hassan Majeed (Raghad's husband) and Saddam Kamel Hassan Majeed (Rana's husband) -- and their wives defected to Jordan, ultimately because Hussein Kamel aspired to take over Iraq. This, of course, struck a terrible blow to Hussein's image of control in Iraq. From Jordan, the men criticized Hussein's regime and became informants for the West against their father-in-law.

The defections enraged Hussein, and he plotted revenge. Certain that Hussein Kamel and his brother would not find long-term asylum in the West, he went about luring the two families back to Iraq. According to Andrew Cockburn and Patrick Cockburn in the 1999 book "Out of the Ashes: The Resurrection of Saddam Hussein," he made personal telephone calls. He cited his love for his grandchildren. He is even believed to have enlisted the unwitting aid of his first wife -- Sajida Khairallah Telfah -- who was in contact with, and trusted by, her daughters -- to reassure his estranged daughters and their husbands that they would be safe, and forgiven, if they returned to Iraq.

Eventually, they believed.

And it was all a lie.

As soon as the group crossed the border, where Uday was waiting, the daughters and the children were taken into custody and transported to Baghdad. The brothers were left on their own. They made their way to a family home in Baghdad. Then they were summoned to the presidential palace and were forced to sign documents that gave the daughters immediate divorces. At that point it appeared their fate was clear. They returned to the family home to wait.

The siege that ended their lives lasted 13 hours. A busload of spectators was brought in to witness it. Uday and Qusay watched from a car. Hussein's special forces were led by none other than Ali Hassan Majeed (known as "Chemical Ali"), the uncle of the men he killed. In the end, both brothers and several other family members were dead.

Raghad and Rana, "once Saddam's favorite children, never forgave him for the killings," the Cockburns wrote. "They assumed he had orchestrated the attack. . . . They continued to live with their . . . children in a family house in Tikrit, never going out, always wearing black, and refusing to see any member of their family apart from their mother."

In Baghdad, rumor has it that one of the sisters used to drive repeatedly by the house where the siege took place, still grieving for her lost husband.

The daughters' public words are more cautious and tempered. In her interview with the Times, Raghad would not address her husband's death and said of her father: "I hope he's alive. He was a very good father."

Raghad and Rana reportedly have tried to gain asylum in England and in the United Arab Emirates, though both efforts are believed to have been unsuccessful. The attempt to go to England was arranged by a cousin of their slain husbands, Izzi-Din Mohammed Hassan Majeed, who received asylum in England in 1995 after fleeing Iraq; he now resides in Leeds. He visited the women in Iraq in late spring and gave an interview to the London-based pan-Arab newspaper Asharq Al-Awsat in early June. In the interview, he described a life much as Raghad later would describe it: No electricity. Cramped quarters. Uncertainty.

"They live in a severe psychological disorder," he said.

And with their father's whereabouts and intentions still unknown, all they can do is wait.

The Brothers Grim (NYTimes)

Editorial

The New York Times, July 23, 2003

Few Iraqis will mourn the deaths of Saddam Hussein's two sons, Uday and Qusay. Like their father, they were mercurial, cruel killers who terrorized and plundered their country so they could live in imperial style. The word from American commanders in Iraq yesterday that the Hussein brothers had been killed in a firefight with American troops in the northern Iraqi city of Mosul was the most encouraging news out of Iraq in weeks. If American forces can now track down Saddam Hussein himself, Iraqis may finally begin to believe that the dictator and his clan will not someday storm back into power.

That Saddam Hussein and his sons somehow managed to escape Baghdad and elude American searchers for so long has been one of the war's many surprises. Washington's inability to find some of its most prominent enemies - Osama bin Laden, Mullah Muhammad Omar and Saddam Hussein - has been frustrating for all Americans. The capture of Mr. Hussein would be especially helpful in pacifying Iraq.

Yesterday's shootout leaves many intriguing questions unanswered. It is not clear where the Hussein brothers were hiding for the past 15 weeks, or what role, if any, they played in the attacks that have killed 40 American soldiers since May 1. If they were moving from house to house in close proximity to their father, Saddam Hussein may be in Mosul as well. The choice of that city as a hiding place by the brothers was somewhat surprising because of Mosul's location, near the Kurdish region where the Hussein family is particularly hated.

The two Hussein brothers were essential pillars of the Baathist dictatorship. Though not as powerful as their father, they were his equals in brutality, well practiced in crimes against their own people.

Qusay, calm and coldblooded, headed the Special Republican Guard. As one of his father's major security lieutenants, he helped organize thousands of executions and disappearances of regime opponents. Uday, infamous for fierce rages, was the organizer of the Fedayeen Saddam death squads, made up of criminals who were freed to kill for the regime. He was also known for torturing athletes during his tenure as head of Iraq's Olympic Committee.

Much more than the capture of Saddam Hussein is needed to turn around what has so far been a tense and troubled occupation. Electricity and other vital services have to be restored on a round-the-clock basis throughout Iraq. Reliable Iraqi police and security services need to be trained and vetted, new jobs found for the unemployed, and the oil industry restored to full production.

Paul Bremer III, Washington's chief civilian administrator in Iraq, plans to unveil today the most specific plan to date for reviving Iraq's economy and public institutions, complete with target goals for the next 60 and 120 days. Realizing his hopes will require more money than Washington originally planned and the active support of the Iraqi people. The demise of the Hussein brothers should make it easier to win that support.

A Good Day In Iraq (WPost)

Editorial

The Washington Post, July 23, 2003

AFTER A LONG, hot season of seemingly relentless stories about guerrilla warfare, sabotage and mounting American casualties, U.S. commanders in Iraq finally had some good news to announce yesterday -- and it was very good news indeed. The confirmation that Saddam Hussein's sons, Uday and Qusay, had been killed by U.S. troops who surrounded their hideout in Mosul meant a serious blow to the diehard resistance that has plagued the postwar administration, and a huge boost for the majority of Iraqis, who hated and feared the old dictatorship. Most Iraqis support the U.S. forces in their country because they want Saddam Hussein and the remains of his regime to be eliminated; many also have hesitated to cooperate with the U.S.-led administration because they worry that the dictator will stage a comeback. With the death of men who organized and directed Saddam Hussein's death squads and were his chosen political successors, there is considerably less to worry about.

An opportunity exists for the United States to make this a turning point for the postwar administration. As it happened, the successful operation by troops of the 101st Airborne Division coincided with the first appearance of the new Iraqi Governing Council before the United Nations Security Council, another step by that body in establishing its authority and credibility. The occupation authority under L. Paul Bremer showed flexibility in agreeing to grant the Iraqi council more powers than originally intended. The Pentagon has also embraced one of the Iraqis' ideas in forming militia units that can take over some of the patrol and guard duty now done by Americans. This process of replacing American with Iraqi faces and modifying U.S. plans to accommodate Iraqi initiatives should be accelerated in the coming weeks. And Mr. Bremer ought to be clearer and more aggressive in communicating with Iraqis about when and how they will get a full-fledged representative government.

Meanwhile, U.S. forces must pursue the Iraqi resistance aggressively: Despite yesterday's breakthrough, the recent predictions by U.S. commanders that the guerrilla war would continue and even worsen may well hold. But Mr. Bush should also aggressively seek stronger international support, including that of traditional U.S. allies in Europe and elsewhere who did not

support the war. Many countries are holding back potential contributions of troops, civilian advisers and financial resources because they object to the administration's insistence on monopolizing authority over the postwar administration, command of peacekeeping forces and even the distribution of reconstruction contracts. Just as Mr. Bremer has accommodated the desire of Iraqis to play a larger role in the evolving postwar government, the White House should create room in Iraq for all who can help. The time for making the postwar administration work is running short. Yesterday's success ought to be the cue for broadening and accelerating the effort.

Death Of Saddam's Sons Deals Iraqis A Better Hand (USAT)

Editorial

USA Today, July 23, 2003

A steady diet of depressing developments in Iraq came to a halt Tuesday with the news that two of the most important - and ruthless - members of Saddam Hussein's inner circle had received their just desserts.

After getting a tip from an Iraqi informant, U.S. military forces raided a palatial villa in the northern town of Mosul and killed Saddam's sons Uday and Qusay in a fierce firefight.

Their link to Saddam's brutal regime was far more than filial. Younger son Qusay, 37, was regarded as his father's coldblooded heir apparent, controlling elite military units and the feared security forces. The more erratic Uday, 39, headed the Iraqi Olympic Committee and ran the country's main newspaper. He personally tortured or killed political opponents and athletes who did not perform well.

The two sons ranked second and third in the U.S. deck of cards of the 55 most-wanted fugitives from Saddam's ousted regime - Uday was the ace of hearts; Qusay, the ace of clubs. However, they stood shoulder to shoulder with their father, the ace of spades, in instilling dread in Iraqis.

Their fearsome power explains why their deaths have important psychological implications. They help shatter the sense among Iraqis that Saddam loyalists were worming their way back into a threatening presence. But the development also has potential strategic significance. It is an encouraging sign that Iraqis are willing to risk retribution to turn in former tyrants.

Of course, Tuesday's news falls that one card short of the ultimate prize. As long as Saddam is unaccounted for and is assumed to be alive, his specter will haunt U.S. progress in stabilizing and ultimately democratizing Iraq.

By any measure, U.S. efforts have been hampered by the continued grip of terror Saddam has on his countrymen. Though he remains physically out of sight, audiotapes purportedly made by him and broadcast on two Middle East TV stations have urged Iraqis to resist U.S. forces. Their impact has been reinforced by guerrilla attacks on both U.S. soldiers and Iraqis working with Americans. The combination has prompted an increasing number of Iraqis to shrink from cooperating with U.S. efforts to rebuild a post-Saddam Iraq.

Even in that regard, though, the tip that led to the sons' hideout held promise. It showed that some workaday Iraqis would risk informing on the old regime - if the price were right. The U.S. had offered a \$15 million reward for each of Saddam's sons and \$25 million for Saddam. The unwillingness of anyone until now to claim such riches underscored the strength of their frightening hold.

The U.S. still faces major problems in the coming months and years. Not the least of which are restoring order and basic services to Iraqis and creating viable self-rule among rival ethnic groups and factions.

While none of these can be solved simply, each will go more smoothly once the remaining 19 cards in the deck, particularly the leader of the pack, is removed from Iraq - and from Iraqis' minds - once and for all.

Quagmire? (WSJournal)

Op-ed by F.J. BING WEST

The Wall Street Journal, July 23, 2003

In the doldrums of summer, a gun battle that erased the sons of Saddam has perked up the news. Uday and Qusay were the pillars of Saddam's brutal regime, and perhaps the most feared of all its members. This intelligence and military success will surely infuse some balance into the saturnine reporting from Baghdad. The raid that led to their richly merited deaths

demonstrated the unremitting pressure that is squeezing the remnants of Saddam Hussein's regime. So will the naysayers at last concede that we are doing something -- anything -- right?

The news brought celebrations in the streets of Baghdad, previously peopled, we've been told, only by surly Iraqis who hate our presence there. The market immediately reacted by dropping the price of oil. Yet it is hard for a reader to determine the trends in Iraq when most headlines focus solely on American casualties. Because shipwrecks make news, headlines about sinking ships are not a reliable measure of maritime safety. Late last March, the press rushed so quickly from one side of its own Good Ship Integrity to the other that it almost capsized. There were reports about U.S. forces bogged down in the desert and a flawed Pentagon strategy. While these stories were coming in, Baghdad fell. Phew, that was close.

Similarly, today the media may be overemphasizing the problems in Iraq. We understand that Baghdad is sweltering, electricity is intermittent, Iraqis are sullen, American soldiers are sweaty and their wives want them home. Each American casualty is featured as if our troops were stuck in a quagmire of increasing combat. Thirty-nine Americans have been killed in action since May 1. Each death is a tragedy on an individual level; on a national level, however, this does not presage a crisis. If that rate continued for six months, the risk of a soldier dying would be one in 2,000. A recent Gallup Poll found that 74% of Americans believed the current rate of casualties was to be expected. During the campaign from Kuwait to Baghdad last March, the risk was much higher. And that rate pales in comparison with casualties in Vietnam, Korea and World War II. By historical standards no American unit in Iraq is engaged in serious combat.

Last March, Secretary of Defense Donald Rumsfeld predicted that some in the press would call Iraq a quagmire. In argument by analogy, Iraq is compared to the past U.S. presence in Somalia and of course in South Vietnam, which fell to a North Vietnamese army equipped with Soviet tanks and Chinese artillery. The quagmire tag line refers to Vietnam between 1962 and 1965, when the success of the Viet Cong guerrillas led to higher numbers of American troops and casualties. When the Viet Cong were attrited, the North Vietnamese took their place.

The emotional effect of suggesting a quagmire is to induce pessimism or, as Shakespeare would say, to take counsel from one's fears. According to this line of logic, the low-level violence in Iraq can be quelled only by more foreign troops, such as the French, who are sidelined due to the administration's unilateralism. So, owing to the absence of the United Nations, more American troops will have to be sent to Iraq, leading to more casualties and placing an intolerable strain on the U.S. military.

It is not clear, though, that the sky is falling. Iraq is a large country with multiple story lines. For instance, whatever became of those Marines last seen in April pulling down that huge statue of Saddam, symbolizing the fall of Baghdad? Ten thousand Marines are now providing security for 12 million Shiite Iraqis in the southern half of Iraq, an area about the size of Utah. It's hot south of Baghdad, the towns are a mess. The Marines are patrolling there in small units, often without helmets and flak jackets.

But shoot at them and they will kill you. Marines know how to fight. Correction: Marines like to fight. They also, in their own parlance, "do windows," meaning they consider it a core mission to act as police, to train a constabulary and to assist in civilian infrastructure and governance. They like to say "no better friend, no worse enemy." We hear nothing about them because shootings are rare, power is restored, crops are irrigated and police are deployed. Yet a few months ago the Shiites in the south were supposedly the real threat, because they would be infected by the virulent anti-Americanism of the Iranian ayatollahs. (There are thousands of U.S. soldiers in Bosnia performing similar jobs and we hear nothing about them either. Shipwrecks make the news, while normalcy is boring.)

The shootings will diminish dramatically when Saddam is put to rest and as the Iraqis establish a governance that treats Saddam loyalists as their enemy. The open terrain does not favor guerrilla bands, and the shooters, far from swimming in a sea of friendly people, are hiding their identities. As yesterday's killing of Uday and Qusay reveals, the Iraqi people are willing to give them up. President Bush has it right: if radicals sneak into Iraq to attack Americans, they will die there. That's better than having them plot against New York City. A quagmire refers to organized resistance supported and sheltered by a willing population. In Iraq, the vast majority of the people welcomed the American forces.

To be sure, the Iraqis have been disappointed by the slow pace of restoring security, power and jobs. The Pentagon was as ill-prepared for the peace as it was well-prepared for the war. Yet that institution recognized its mistakes and quickly shifted personnel and plans. In rebuilding Iraq, the U.S. will carry the major external burden, as we did in Korea, and before that in Europe. This will not be particularly dangerous work, but it will be messy and take years.

We should get on with the job. The next American general to grumble that his troops are not policemen should be relieved. Yes, they are policemen -- and criminals and Saddam loyalists alike should fear them, while the average citizen should not fear an indiscriminate fusillade from them. Because freedom from risk does not exist, American casualties will continue to make the news. With the death of Saddam's sons, however, it certainly appears the U.S. Army units inside the "Sunni triangle" have taken the offensive and more raids can be expected. In Iraq as in Afghanistan, our troops will indefinitely confront hostile armed bands.

There is nothing new about this. Seventy years ago, the Marine Corps issued a "Small Wars Manual" with instructions for patrolling in barrios, feeding mules, drilling wells and holding elections. The Iraqi war is over and the seemingly tedious work of helping that country pull itself together has begun. Turbulent conditions and episodic violence are definitions of nation-building, a term eschewed yet practiced by the administration. There will no doubt be more shoot-outs like yesterday's in Mosul. But make no mistake, the tyranny has been removed; this war is already won.

Mr. West, a former assistant secretary of defense, is the co-author of "The March Up: Taking Baghdad with the 1st Marine Division," due out from Bantam Books in September.

The End of the Crown Princes (Newsweek)

The belated deaths of Uday and Qusay Hussein are another stage in the liberation of Iraq-and a step forward for Bush and Blair

Newsweek, July 23, 2003

Call it the tale of three corpses. The first two marked the end of one of the biggest mysteries in Iraq. The third marks the beginning of one of the biggest mysteries in London.

The deaths of Uday and Qusay-confirmed on Tuesday by U.S. CENTCOM in Iraq-represent more than just the delivery of American justice to the murderous and sometimes psychotic sons of Saddam Hussein. Their demise in a six-hour battle in the northern Iraq city of Mosul is one of the single most important stages in helping to rebuild the traumatized nation.

Saddam's sons, Qusay, left, and Uday, were killed during a six-hour battle in the northern Iraq city of Mosul

As critical as repairing the decrepit electricity network, their deaths should lay to rest two of the ghouls haunting Iraqi citizens, and blocking their cooperation with the occupying forces. Iraqis have been terrorized by decades of Saddam's tyranny and remain terrified of the criminals and militias operating as saboteurs and guerrillas today. But the terror really lies within: the terror of Saddam's return. According to one group of Pentagon advisers, a group of reconstruction experts assembled by the Center for Strategic and International Studies, that terror is not easily brushed aside.

Robert Orr, vice-president of the Council on Foreign Relations, says that Saddam still loomed large among the Iraqis his group met. "They are still afraid that Saddam is coming back and have not been convinced yet that the changes are inevitable," he told reporters last week. "Until that occurs, they won't be free to fully participate. The small but organized elements that are now killing mayors and attacking police understand this very well. It will be hard for us to get Iraqi leaders to step forward when they see the price being paid by other collaborators."

That calculation changes dramatically with the belated killings of Saddam's sons. They were the future of Saddam's rule and their deaths-while not guaranteeing its end-point to its ultimate demise. In a sense, it's another stage in the liberation of Iraq.

It's also another step forward for President George W. Bush and Prime Minister Tony Blair after weeks of nothing but bad news. Both beleaguered leaders benefit from the distraction of attention away from the daily murders of U.S. troops and the ever-elusive weapons of mass destruction. But more than that, the deaths underscore why they went to war in the first place: to rid the world of a bloody and dangerous regime.

Which brings us to the third corpse-the body of poor David Kelly, the British bio-weapons scientist who committed suicide last week. The hunt is on for Kelly's killer in London, although the real hunt may be for Prime Minister Blair's scalp.

You might think it was obvious who killed Kelly. It was, after all, a dreadfully solitary end to the life of one of the world's best weapons inspectors and the man at the center of allegations that the Blair government exaggerated the threat of Iraqi weapons of mass destruction. In police terms, there is little to investigate. But for the people who whipped up the storm clouds over Kelly's head, the investigation has only just begun. This isn't just a tale of Tony Blair versus the BBC. The appalling irony is that the feeding frenzy that consumed Kelly's life shows no signs of dying with him. If anything, it's getting worse. The judicial inquiry into

the whole sorry affair will find it hard to pick its way through the hype. Yes, Blair's government over-hyped the threat of Saddam's weapons. And yes, the BBC over-hyped Kelly's briefing into a scandalous report about political interference with the pre-war intel.

July 22, 2003 - Lt. Gen Ricardo Sanchez confirms that Saddam Hussein's sons Odai and Qusai were killed today in northern Iraq.

Yet the real killer was the attack dog culture of Britain's media and political circles. Much has been made of Kelly's essential decency, and the unbearable pressure of life in a firestorm. The people responsible for that storm-in what used to be called Fleet Street and what is still called Westminster-are now the self-styled investigators, trying to pin the blame on somebody else.

Of course, it's too much to ask London's media and political life to change itself. They can't help themselves. Whole business models have been built on this kind of media frenzy. Political strategy revolves around how to manage and manipulate it. For weeks the British media has been slapping itself on the back for its aggressive coverage of the pre-war intel. For weeks it has been pooh-poohing the supposedly wimpy American media for failing to hound the Bush administration. Maybe they should not have taken such overweening pride in their coverage.

Such antics have a profound impact on not just the British government, but on life in Iraq and the position of U.S. and British forces on the ground. British ministers spend their days fretting about the scandal of a BBC reporter's stories instead of fretting about how they will ever rebuild Iraq's infrastructure. In turn, that makes London fearful about its role in Iraq and unwilling to take a greater role at a time when U.S. forces are seriously overstretched.

In contrast to U.S. troops who have extended their tours of duty repeatedly, the number of British troops has fallen sharply from the peak of the war: down to about a quarter of their full strength at around 11,000. British officials say this is because their troops are so good at peacekeeping that they don't need so many boots on the ground. Maybe so. But if that's the case, then they should be spending every day training the Americans how to do the same. (Incidentally, the Pentagon's group of external advisers said British patrols in southern Iraq were just as patchy as U.S. patrols in Baghdad, even if they were less intimidating to bystanders.)

Maybe, just maybe, the deaths of Saddam's sons will galvanize Britain-and the rest of Europe-to understand that the hard work in Iraq has only just begun. That work does not involve the pre-war intelligence, important though that is. It involves the post-war job of building a new Iraq that we can all respect.

Bush Aide Takes Blame On Speech (USAT)

By Judy Keen

USA Today, July 23, 2003

WASHINGTON - White House officials said Tuesday that they have found two memos in which the CIA warned last fall that President Bush should not repeat unsubstantiated reports that Iraq tried to buy uranium from Africa.

As a result of those memos, a reference to attempted uranium purchases was removed from a speech Bush gave Oct. 7 in Cincinnati. But Stephen Hadley, deputy national security adviser, said he and other White House officials forgot the memos when Bush's State of the Union address was being written.

In his State of the Union speech Jan. 28, Bush said, "The British government has learned that Saddam Hussein recently sought significant quantities of uranium from Africa." Bush advisers have since said that the line should have been omitted but that they believe it was accurate.

Hadley, deputy to national security adviser Condoleezza Rice, apologized to the president for allowing the dubious intelligence to make it into the high-profile speech. Until now, only CIA Director George Tenet has accepted blame for not catching the reference when his agency reviewed the speech.

Hadley's admission, made in a rare briefing with reporters, shifts culpability for the error back to the White House. The newly discovered memos are sure to perpetuate the controversy and prompt demands from Congress for the resignations or firings of officials involved in the matter.

Florida Sen. Bob Graham, a candidate for the Democratic presidential nomination, said the admission "raises sharp new questions as to who at the White House engaged in a coverup and why President Bush told the nation something that was blatantly false in making his case to go to war."

Hadley said he saw both memos in October; he said one also was directed to Rice. White House communications director Dan Bartlett said Bush saw neither. They said one memo was found Friday and the other was discovered Tuesday in White House files.

Hadley said the lapse was his fault, not Rice's, because he is responsible for checking the accuracy of intelligence included in presidential speeches. "I failed in that responsibility," he said. Asked whether he offered to resign, Hadley said he would not discuss details of his conversation with Bush.

Bartlett said Bush has full confidence in his national security team. "The process failed," he said.

White House officials have acknowledged that Tenet called Hadley before Bush's October speech to ask him to delete the reference to Iraqi efforts to buy uranium as part of its bid to reconstitute a nuclear-weapons program. But Tenet took responsibility for his aides' failure to object to the reference in the January address to the nation.

The controversial passage citing a British intelligence report "should have been taken out of the State of the Union," Hadley said.

"There were a number of people who could have raised a hand" to have the passage removed, Hadley said. "And no one raised a hand."

The disclosure was made moments after administration officials confirmed that Saddam Hussein's sons had been killed Tuesday in Iraq. There were no indications that the timing was intentional. But the release of the information may have a diminished impact because it came out on a day when headlines were dominated by a development in Iraq that was much more favorable to the administration.

The White House has decided to make public as much information as possible in a bid to put the controversy behind them. Officials also have asked Republican allies in Congress and across the nation to defend their conduct.

The damage-control efforts come as polls find that Bush's job-approval rating is dropping, along with public support for his management of the economy and the aftermath of the Iraq war.

Bush Aides Disclose Warnings From CIA (WPost)

Oct. Memos Raised Doubts on Iraq Bid

By Dana Milbank and Walter Pincus

The Washington Post, July 23, 2003

The CIA sent two memos to the White House in October voicing strong doubts about a claim President Bush made three months later in the State of the Union address that Iraq was trying to buy nuclear material in Africa, White House officials said yesterday.

The officials made the disclosure hours after they were alerted by the CIA to the existence of a memo sent to Bush's deputy national security adviser, Stephen J. Hadley, on Oct. 6. The White House said Bush's chief speechwriter, Michael Gerson, on Friday night discovered another memo from the CIA, dated Oct. 5, also expressing doubts about the Africa claims.

The information, provided in a briefing by Hadley and Bush communications director Dan Bartlett, significantly alters the explanation previously offered by the White House. The acknowledgment of the memos, which were sent on the eve of a major presidential speech in Cincinnati about Iraq, comes four days after the White House said the CIA objected only to technical specifics of the Africa charge, not its general accuracy.

In fact, the officials acknowledged yesterday, the CIA warned the White House early on that the charge, based on an allegation that Iraq sought 500 tons of uranium in Niger, relied on weak evidence, was not particularly significant and assumed Iraq was pursuing an acquisition that was arguably not possible and of questionable value because Iraq had its own supplies.

Yesterday's disclosures indicate top White House officials knew that the CIA seriously disputed the claim that Saddam Hussein was seeking uranium in Africa long before the claim was included in Bush's January address to the nation. The claim

was a major part of the case made by the Bush administration before the Iraq war that Hussein represented a serious threat because of his nuclear ambitions; other pieces of evidence have also been challenged.

Hadley, who also received a phone call from CIA Director George J. Tenet before the president's Oct. 7 speech asking that the Africa allegation be removed, took the blame for allowing the charge to be revived in the State of the Union address. "I should have recalled . . . that there was controversy associated with the uranium issue," he said. He said Bush and national security adviser Condoleezza Rice were counting on his dependability, and "it is now clear to me that I failed." Hadley said Rice was not made aware of the doubts but "feels personal responsibility as well."

"The high standards that the president set with his speeches were not met," Hadley said, acknowledging that the problem was not solely that the CIA failed to strike the reference from the January speech. "We had opportunities here to avoid this problem. We didn't take them," he said.

It remains unclear why the Africa uranium claim continued to bubble up in key presidential speeches. White House officials insist they did not push hard for the accusation to be included, and the intelligence community largely dismissed the significance of the matter.

The intelligence reports about Iraq seeking uranium from Niger, Somalia and Congo represented only four paragraphs in the Oct. 2 National Intelligence Estimate, the definitive collection of U.S. intelligence's views on Iraq's weapons programs. Iraq's alleged attempt to obtain uranium was not among the "key judgments" used in the report to support the idea that Hussein was reconstituting his nuclear program. Yet the White House twice sought to include it in a presidential speech.

Yesterday, Bartlett insisted that its inclusion in the State of the Union address was "not at the specific request of anyone" and said that one of the speechwriters had come up with the information after reviewing the Oct. 2 intelligence estimate.

The new information amounted to an on-the-record mea culpa for a White House that had pointed fingers at the CIA for vetting the speech, prompting an earlier acceptance of responsibility by Tenet. But that abruptly changed yesterday after the CIA furnished evidence that it had fought inclusion of the charge.

The disclosures punctured claims made by Rice and others in the last two weeks. Rice and other officials had asserted that nobody in the White House knew of CIA objections, and that the CIA supported the Africa accusation generally, making only technical objections about location and quantity. On Friday, a White House official mischaracterized the CIA's objections, saying repeatedly that Tenet opposed the inclusion in Bush's Oct. 7 speech "because it was single source, not because it was flawed."

Shortly after Friday's briefing, Bartlett and Hadley said yesterday, Gerson discovered the first of two CIA memos to the White House from last October. The CIA memo found, dated Oct. 5 and addressed to Gerson, Hadley and others, objected to a sentence the White House included in a draft of Bush's upcoming speech, saying Hussein's "regime has been caught attempting to purchase" uranium in Africa. The officials did not release the memo but said the uranium information was on Page 3 of a four-page document.

Hadley said the CIA -- the memo was not signed -- said that the amount was in dispute and that it was not clear the material "can be acquired from the source." The CIA also pointed out that Iraq already had its own supply, 500 tons, of the "yellowcake" uranium ore it was accused of seeking.

The second memo, dated Oct. 6 and sent to Hadley and Rice, was brought to the White House's attention yesterday by the CIA, the officials said. In response to another draft of the speech that had already deleted the uranium reference, the memo included fresh CIA objections to the charge, saying there was "weakness in the evidence" and that the attempted purchase "was not particularly significant," Hadley said.

The new information disclosed by the White House provides additional material for Democrats who have been criticizing Bush's handling of Iraq intelligence. Sen. Bob Graham (D-Fla.), a former intelligence committee chairman and now a presidential candidate, said the admission "raises sharp new questions as to who at the White House engaged in a coverup." Rep. Henry A. Waxman (D-Calif.), who has been pressing the administration on the matter for months, said, "Congress needs to investigate this with immediate public hearings."

But strategists in both political parties said the lifespan of the criticism, and the possibility of congressional hearings in the fall, largely depends on whether the occupation of Iraq continues to be as violent and chaotic as it has been. Yesterday's disclosures by the White House came at a time of otherwise good news related to Iraq, as the U.S. military confirmed that it had

killed Hussein's two sons, Uday and Qusay, and Army Pfc. Jessica Lynch, a rescued prisoner of war, , returned to her home town in West Virginia after four months of hospitalization.

Bartlett said he was "almost positive" Bush saw a draft of the October speech containing the Africa claim. "He has no memory of this subtraction being made," Bartlett said.

Bartlett said that while the president is "obviously not pleased," he "accepts the explanation" offered by his aides and has "the highest level of confidence" in his staff. Hadley and Tenet have taken some responsibility for the Africa charge being included in Bush's January speech after a similar accusation was cut from the October speech. Bush has declined to accept responsibility for making the charge.

"The president had every reason to believe that the text of the State of the Union was sound," Hadley said.

Hadley, who told Bush of the forgotten memos, declined to say whether he had offered the president his resignation, and Bartlett said he does not expect any resignations. But Hadley said the issue is not necessarily resolved. "There is always the likelihood we will find additional information," he said.

National Security Aide Says He's To Blame For Speech Error (NYTimes)

By DAVID E. SANGER with JUDITH MILLER

The New York Times, July 23, 2003

WASHINGTON, July 22 - President Bush's deputy national security adviser accepted blame today for allowing faulty intelligence to appear in the president's State of the Union speech. He took responsibility after revealing that the Central Intelligence Agency had sent him two memorandums warning that evidence about Iraqi efforts to obtain uranium in Africa was weak.

The deputy adviser, Stephen J. Hadley, a critical behind-the-scenes player in the Bush White House, told reporters that while he received the memorandums before the president gave a speech about Iraq in October, he had no memory of the warning three months later when the issue came up again in the State of the Union address. He said the two memorandums had been discovered in the last 72 hours.

Looking shaken, he said, "I should have asked that the 16 words be taken out" of the State of the Union address, and added, "I failed in that responsibility."

Mr. Hadley's account of events today once again shifted the White House explanation of events. Two weeks ago, Ari Fleischer, then the White House press secretary, said the C.I.A.'s concerns about the quality of the intelligence before Mr. Bush's October speech in Cincinnati were resolved by changing the president's language in the State of the Union address.

Today Mr. Hadley said, in fact, that nothing had been resolved. Had he recalled the warnings describing "some weakness in the evidence," the line would have been stricken, he said.

Mr. Hadley's acceptance of the blame seemed likely to fuel the calls for an investigation in Congress. But it also appeared to be part of an effort to end an open feud between the C.I.A. and the White House over who was responsible for the State of the Union imbroglio. Ten days ago the White House fingered the director of central intelligence, George J. Tenet, who accepted partial blame the next day in a statement that said he had never read the draft of the speech that was sent to him.

Mr. Hadley, a lawyer and veteran of the first Bush administration who has a reputation for fanatical attention to detail, did not say if he had offered to resign when he talked to President Bush earlier today. But Dan Bartlett, the White House communications director, said Mr. Bush, who was briefed about the discovery of the memorandums on Monday at his ranch in Texas, "expressed the utmost confidence" in Mr. Hadley and his boss, Condoleezza Rice, whose name was listed as a recipient on one of the C.I.A. warnings.

But Mr. Hadley's account, given in a meeting with reporters at the White House, raised new questions about Mr. Tenet and the C.I.A.

According to the outline of events the White House gave today, Mr. Tenet's warnings to the National Security Council that the information was unreliable came only six days after the intelligence director published it in the "National Intelligence Estimate," the gold-standard of intelligence documents circulated to the highest levels of the administration and to Congress.

"I can't explain that," Mr. Hadley said, referring the issue back to Mr. Tenet. Three months later, on Jan. 24, another senior C.I.A. official, Robert Walpole, sent Mr. Hadley and other White House officials another memorandum that again said Iraq had sought to obtain the uranium, citing the language in the Oct. 1 intelligence estimate.

That memorandum, which was not part of the White House discovery this weekend, was intended to aid Secretary of State Colin L. Powell as he prepared to make the case against Saddam Hussein at the United Nations. But it arrived at the White House just four days before the State of the Union speech, and seemed to support the president's now disputed statement. It contained none of the cautions that Mr. Tenet had voiced by phone to Mr. Hadley and in the two memorandums sent just before the president's speech in Cincinnati on Oct. 7, laying out the case against Mr. Hussein.

Mr. Hadley and Mr. Bartlett said that one of the memorandums was found this weekend by Michael Gerson, President Bush's chief speechwriter. The second was found Monday by the C.I.A. Mr. Bush, they said, was told of the existence of the memorandums on Monday.

CIA Memos On Uranium Fell Through The Cracks (WSJournal)

By JEANNE CUMMINGS

The Wall Street Journal, July 23, 2003

WASHINGTON -- The White House extended blame to National Security Council officials for President Bush's recounting of dubious prewar intelligence about Iraq's weapons, saying for the first time that the NSC had been warned the information was unreliable before it was inserted into the State of the Union address.

In a bid to avert a crisis over the matter, Deputy National Security Adviser Stephen Hadley said the Central Intelligence Agency sent two memos to the NSC in October that raised doubts about British reports that Iraq attempted to buy uranium in Africa to restart its nuclear-weapons program. Until now, the White House had let the CIA shoulder full blame for allowing the sentence in question into the president's speech.

But Mr. Hadley said he and others forgot about those warnings in January when Mr. Bush's speech was drafted, and that lapse contributed to the inclusion of the uranium charge. Mr. Hadley, who received both October memos, said he still doesn't remember seeing them, although he is certain he received and read them. It was his job to vet the foreign-policy section of the presidential address, he said, and "I failed in that responsibility."

He added that his boss, National Security Adviser Condoleezza Rice, also has taken responsibility for the error.

Ms. Rice was unavailable for comment Tuesday. But earlier this month, she said that "if the CIA, the Director of Central Intelligence, had said, 'Take this out of the speech' it would have been gone, without question." The CIA did clear the sentence after the NSC said it would attribute it to British, not U.S. intelligence, a revision Ms. Rice later said made it "technically" accurate.

Mr. Bush recently defended his speech by repeatedly asserting that the CIA had cleared it. CIA Director George Tenet recently issued a statement saying he was responsible for the mistake, since his agency cleared the disputed sentence.

White House Communications Director Dan Bartlett said the president retains confidence in Messrs. Hadley and Tenet. But the revelations likely will fuel Democratic calls for an independent investigation and give new life to a controversy the administration had hoped was behind it.

Massachusetts Sen. John Kerry, a Democratic presidential candidate, called on Mr. Bush to "take responsibility for using flawed intelligence."

The latest information surfaced Friday, when chief speech writer Michael Gerson discovered a CIA memo dated Oct. 5 addressed to him and Mr. Hadley raising issues with several parts of an earlier speech and doubts about the British intelligence. The classified memo was more than three pages and single-spaced, Mr. Hadley said.

Mr. Hadley said the sentence was removed from the earlier speech due to that memo and a telephone call from Mr. Tenet also urging the sentence be struck.

Even so, the CIA sent a second memo the next day addressed to Mr. Hadley and Ms. Rice that again challenged the African uranium sale. It said the evidence was weak, and that such a move wasn't critical to Iraq's attempts to reconstitute its nuclear program.

Blame For Nuke Nuclear Reference Shared (HOU)

CIA didn't want White House to let Bush cite claim

By BENNETT ROTH

The Houston Chronicle, July 23, 2003

WASHINGTON -- A top White House official acknowledged Tuesday that the CIA had pressed him last October not to let the president cite discredited information about Iraq's nuclear weapons program.

Deputy National Security Adviser Steve Hadley said that in two memos he received from the intelligence agency, as well as in a phone conversation with CIA Director George Tenet, he was urged not to use British reports that Iraq was seeking to buy uranium from Africa to develop nuclear weapons.

As a result of that intervention, the mention of uranium was deleted from Bush's Oct. 7 Cincinnati speech on Iraq, but was revived in the president's Jan. 28 State of the Union address to Congress.

Until now, the administration had blamed the CIA for not lobbying hard enough to have the discredited information taken out of the January address, and Tenet has apologized for not raising an objection.

But Tuesday, Hadley -- who reports to National Security Adviser Condoleezza Rice -- also took responsibility for not doing a better job of vetting the president's speech to Congress and ensuring that the sentence was deleted. Hadley said he had apologized to the president.

"I should have recalled at the time of the State of the Union speech that there was controversy associated with the uranium issue," Hadley said in a hastily called and rare 90-minute on-the-record briefing with reporters. Hadley said he did not remember his October discussions with the CIA director or the memos, dated Oct. 5 and 6, when he was looking over drafts of the State of the Union.

In retrospect, the deputy security adviser said he and a number of other administration officials should have flagged the suspect statement on nuclear weapons.

"There were a number of people who could have raised a hand," he said. "And no one raised a hand."

White House officials said that Rice, who briefs the president regularly, almost certainly received one of the CIA memos that included the uranium warning. However, they could not say if she read the document.

They also said that Bush most likely read early drafts of the Cincinnati speech that included the reference to the uranium. However, they said the president was not briefed on why that section was excised in the final version.

The latest disclosure comes as the White House has moved aggressively to stem political fallout from the controversy over whether the president misled the public in the run-up to the Iraq war.

In recent days Democrats have sharpened their criticism of Bush, calling for congressional investigations over the accuracy of the intelligence the president cited.

Polls show Bush's approval rating slipping and more Americans believing that Bush intentionally exaggerated assertions about Iraq prior to the war. In response, the administration has urged its Republican allies in Congress to more publicly defend Bush and stress that ridding Iraq of Saddam Hussein was a worthy cause despite the flap over the wording of one sentence in a speech.

Usually closed-mouth White House officials, in an effort to pre-empt negative news stories, have called reporters in twice to present their version of how the uranium reference slipped into the speech, even declassifying some intelligence documents to make their point.

Officials said Tuesday's briefing was called after White House speechwriter Mike Gerson discovered one of the October memos over the weekend while going through his files. Gerson told officials he did not recall the memo when he drafted the State of the Union.

The latest disclosure also was divulged on a day when it was likely to be overshadowed by the media's focus on the killing of Saddam's sons.

While it has become clear that officials in the White House knew about problems with the uranium claim prior to the January address, White House Communications Director Dan Bartlett said the president still had confidence in his staff and had not sought any resignations.

Hadley would not say whether he had offered his resignation in his conversation with the president, saying that talk was private.

Bush has not publicly taken responsibility for the inclusion of misleading information in laying out his justification for war.

However, Bartlett said the president was unhappy with the revelations about the speech. And Bush's chief of staff has ordered a probe to determine how it came about and how to prevent such lapses in the future.

"The process failed," said Bartlett, who added he could not rule out more information coming out regarding the uranium claim.

Hadley said that in the memos sent by the CIA the objection to the mention of uranium was just one of a number of issues it wanted discussed in reference to Bush's Oct. 7 speech.

He said it was not unusual for agencies to review drafts of speeches and recommend that sections be excised or changed.

Hadley also said Bush's citing Iraq's attempt to purchase uranium in the State of the Union was technically accurate because it was attributed to British intelligence. Last week, British Prime Minister Tony Blair continued to defend the accuracy of the claim.

However, Hadley also said the president has said he does not want any claim in his speeches that the CIA director is not willing to back up.

2nd Key Aide Apologizes For Uranium Claim (DMN)

By G. ROBERT HILLMAN

The Dallas Morning News, July 23, 2003

WASHINGTON - On a day when the White House could have touted a major victory in the simmering war in Iraq, aides instead struggled again to explain how a discredited statement made its way into President Bush's State of the Union address, and his deputy national security adviser apologized for his role.

Stephen Hadley, the top aide to National Security Adviser Condoleezza Rice, said he was joining CIA Director George Tenet in accepting responsibility for including in the Jan. 28 speech a claim that Iraq had sought uranium in Africa, an assertion that had been questioned by U.S. intelligence analysts.

"Somebody should have said 'no,'" Mr. Hadley said. "There are a number of people who could have raised a hand, and the hand didn't get raised."

Mr. Hadley and White House communications director Dan Bartlett, who supervised preparation of the State of the Union address, met with reporters Tuesday at the White House just as U.S. military commanders in Iraq were announcing the deaths of Saddam Hussein's sons, Uday and Qusay.

Mr. Bartlett declined to comment on the deaths, and the White House later issued a statement expressing pleasure over the military action.

Old memos found

In the second White House briefing in four days to discuss questions still lingering from the State of the Union address, Mr. Hadley said two memos to him from the CIA in October were found in recent days, warning that reports that Iraq was seeking uranium in Africa - specifically Niger - to build nuclear weapons were disputed.

Additionally, Mr. Hadley recalled a telephone call from Mr. Tenet with a similar warning about the same time.

The warnings prompted aides to delete references to African uranium in a nationally televised speech that Mr. Bush delivered Oct. 7 in Cincinnati, Mr. Hadley said. But he added that he had forgotten about the controversy as the State of the Union address was being prepared three months later.

"I should have recalled at the time of the State of the Union speech that there was controversy associated with the uranium issue," Mr. Hadley said. "Had I done so, this would have avoided the whole current controversy."

"I failed," he said.

"I've taken responsibility for this with respect to the NSC staff in the same way Director Tenet has responsibility for his agency," Mr. Hadley added. "And the president is going to have to make decisions with respect to both organizations how to make sure that this doesn't happen again."

In the State of the Union address, Mr. Bush said, "The British government has learned that Saddam Hussein recently sought significant quantities of uranium from Africa."

British affirmation

The British still stand behind their statement, but the administration has acknowledged that it should not have been in the speech because of questions about the intelligence and analysis behind it, especially whether it was largely based on documents that later were found to be forged.

On July 11, Mr. Tenet first took responsibility for the misstep, confessing that the CIA had not properly checked the statement. On Tuesday, Mr. Hadley followed, as White House Chief of Staff Andrew Card pressed ahead with an internal review.

The new revelations drew more harsh criticism, particularly from Democrats, about the administration's use of intelligence analysis to build the case for war against Iraq.

"Apparently, at the Bush White House, the buck stops everywhere but the president's desk," said Tony Welch, spokesman for the Democratic National Committee. "After two memos, a call from the CIA and 175 days [since the State of the Union address], only one thing is clear: We still haven't heard the truth from the administration."

Mr. Hadley said he believed that a thorough search of the White House speech files had found all the pertinent supporting documents, but he couldn't be sure.

"You don't know what you don't know," he said.

Mr. Hadley said he had spoken to the president Monday about the controversy and declined to say whether he had offered his resignation.

Agrees with Rice

Ms. Rice was reported to be traveling Tuesday. Mr. Hadley said she, too, regretted that she had not raised the uranium issue.

"We both agree that in permitting the inclusion of those words, the high standards that the president sets for his speeches were not met," Mr. Hadley said.

Mr. Bartlett said that the president still had confidence in his national security team but that clearly, "the process failed."

The president is "responsible for the decisions he makes," Mr. Bartlett said, sidestepping questions about whether the president was ultimately responsible for his own speeches.

"He outlined a case to the American people that was clear and compelling," Mr. Bartlett said. "The bottom line is that he takes responsibility for the decisions he makes, and he has in this case."

Iraqi Rebels Savor Problems Of Bush, Blair (WTimes)

By Fran Coombs

The Washington Times, July 23, 2003

Secretary of State Colin L. Powell yesterday warned pro-Saddam holdouts fighting U.S. troops in Iraq not to take comfort in the political wrangling over intelligence matters in this country and Britain.

"To the extent that they believe [British Prime Minister Tony] Blair and President Bush have been weakened in some way, I think that gives them certainly something they would welcome," Mr. Powell said in an interview with senior editors and reporters of The Washington Times, held in the secretary's conference room at the State Department.

"But they are deceiving themselves if they welcomed it for very long because I think this will all pass in due course," he said. "People will see that what President Bush, Prime Minister Blair and other members of the coalition did was right."

"As more graves are opened, as more mass killings are made known and as Mr. [David] Kay [the former United Nations weapons inspector heading the U.S. search] completes his work in Iraq searching for the evidence needed to make clear to everybody that we knew what we were talking about with respect to weapons of mass destruction, I think this issue of what was in the State of the Union address will fade into insignificance."

Mr. Bush has been strongly criticized by Democrats and repeatedly challenged by media pundits for the statement in his State of the Union speech in January that "the British government has learned that Saddam Hussein recently sought significant quantities of uranium from Africa."

The International Atomic Energy Agency reported in March that the documents on which the charge was based were forgeries, though the British government still stands by the intelligence, saying it has other sources on which to base its conclusions.

CIA Director George J. Tenet has taken the blame for allowing the 16-word sentence to remain in Mr. Bush's speech. U.S. intelligence sources have been unable to independently confirm the British intelligence claim. Mr. Bush's critics continue to argue that he "lied" to push U.S. public opinion to approve of war on Iraq.

Mr. Powell said in the interview yesterday that intelligence "is not always perfect knowledge." He could recall many times "when something looked very good at a particular point in time and looked better over time or looked worse over time as more information came in."

Mr. Powell had taken care not to repeat the claim about the uranium when he made a presentation about Iraq's weapons programs to the United Nations in February.

His concern at that time, he said yesterday, was "not the audience in the Security Council [or] the massive television audience waiting for the 'Adlai Stevenson moment.'"

Rather, he had been worried about the Iraqis who "could shoot down anything I said if I didn't have it right." He observed that no details of his presentation had been challenged by Saddam Hussein's government.

Mr. Powell, asked yesterday to judge the impact the argument over intelligence conclusions was having on Iraqi opposition to U.S. nation-building efforts, said: "Of course, they welcome anything that looks like disarray within the coalition. But is this what is driving them more than their desire to inflict casualties on coalition forces? No, I don't know that it does."

The secretary also appeared not to share Army Gen. John Abizaid's description of the Iraqis continuing to fight U.S. troops. In a break with his own boss, Defense Secretary Donald H. Rumsfeld, Gen. Abizaid, the new commander of U.S. forces in Iraq, told reporters last week that Saddam loyalists in Iraq are waging what he called a "classic guerrilla-type campaign."

Cells of up to eight guerrillas are attacking U.S. troops daily, he said, and have regional financial backing. Mr. Rumsfeld as recently as June 30 rejected the idea of an organized guerrilla resistance in Iraq.

Mr. Powell yesterday echoed Mr. Rumsfeld's viewpoint and dismissed any parallels between Iraq and Somalia or Vietnam, where increasing U.S. casualties prompted the withdrawal of U.S. troops.

"I don't know how classic a counterinsurgency it is yet. I don't know how organized and sophisticated they are yet," he said of the Iraqi opposition.

"I have not yet seen a body of evidence that says this is the equivalent of what we saw in Vietnam and that all of these pieces are connected and that there is one central nervous system that pulls this all together.

"Some of them are nothing more than criminals. Some of them are terrorists. Some of them are people who are resentful of the American presence. ...

"And there are others who realize an American presence is going to work against their interests over time, and they're going to take shots at us," Mr. Powell said.

"But what they will discover is what others have discovered over the years: America has much more staying power and understands that occasionally this kind of effort requires sacrifice as far as the loss of life on the part of our young soldiers."

The retired Army officer, a commander of infantry in Vietnam and former chairman of the Joint Chiefs of Staff, quietly observed: "Every life lost is regretted." Since President Bush declared the war over on May 1, 39 Americans have been killed by hostile fire in Iraq.

Cheney's Intelligence Role Scrutinized (Denver Post)

Critics say VP's influence in making case for war may have led to faulty statements

By John Aloysius Farrell

The Denver Post, July 23, 2003

WASHINGTON - President Bush has drawn most of the critics' fire, but Vice President Dick Cheney's promotion of now-tarnished U.S. intelligence reports about Iraqi weapons of mass destruction also is under scrutiny as details emerge about his role in making the case for war.

The White House has conceded that it was a mistake for Bush to cite with such surety a controversial allegation that Iraq sought to buy uranium ore in Africa. And newly declassified documents released Friday show that Bush overlooked dissenting views by intelligence experts at the State Department and the Department of Energy about the immediacy of the danger posed by Iraq's nuclear weapons program.

Cheney had access to those dissents but was just as sure and certain as the president in selling the war in public, especially when describing Iraq's nuclear program. In one nationally televised interview, on the eve of war, Cheney announced that Iraq had in fact "reconstituted" nuclear weapons. His office says that was a mistake as well.

A look at the record shows that Cheney, as an advocate of war with Iraq, played a significant public and backstage role as intelligence was gathered and reports generated that he and other administration officials used to persuade the public that the threat posed by Saddam Hussein and his weapons of mass destruction was grievous and imminent. That fear has not been borne out as allied soldiers continue to search the conquered nation for such destructive weaponry.

Cheney's influence on intelligence gathering clearly was felt early in 2002, when the CIA instituted a fact-finding mission after an inquiry from the vice president. Cheney asked agency officials then about now-discredited reports that Iraq was trying to buy uranium ore from Niger, his staff says. The agency decided "on its own initiative" to dispatch an envoy to Africa, says CIA Director George Tenet, but the envoy, Joseph C. Wilson, says he was told by CIA officials that they did so to respond to Cheney's inquiry.

Cheney, in an unusual move, visited the CIA in the summer of 2002 to quiz agency analysts and review the agency's work on Iraq.

And it was Cheney who, in an August 2002 speech before the Veterans of Foreign Wars, kicked off the campaign for military intervention, advancing the doctrine that the U.S. has the duty to employ its power against possible foes in pre-emptive wars.

Cheney's actions look "like a concerted effort to shape the intelligence and whip the troops in line," says Joseph Cirincione, a defense analyst for the Carnegie Endowment for International Peace.

Congressional Democrats are concerned enough about Cheney's role that several are calling for a probe of possible undue influence.

The vice president's advisers scorn the notion, advanced by some of Cheney's foes, that he wields inordinate behind-the-scenes power from his West Wing office.

"He is an American realist. And a hard-liner," says Mary Matalin, an adviser and former aide. But Cheney, she said, "doesn't freelance. He is not going to go out and do something inconsistent with the president's thinking. He doesn't give contracts at the Department of Defense, and he doesn't dispatch the CIA to go do stuff. The suggestion that he is pulling all these levers, well, that is just not part of his job description."

For those who know him, Cheney's involvement in crafting the case for war comes as no surprise. Friend or foe, they see the former Wyoming congressman - the son of a bureaucrat in the Soil Conservation Service who was born in Nebraska and grew up in Casper - as a brilliant political player whose influence has not been diluted by the heart troubles that have marred his term.

"With the possible exception of Bill Gates, Dick Cheney is the smartest man I've ever met," says John Perry Barlow, a social commentator from Wyoming who supported Cheney's early campaigns for Congress. "If you get into a dispute with him, he will take you on a devastatingly brief tour of all the weak points in your argument."

Like the president he serves, Cheney is willing to take risks for a cause, to persevere through the inevitable storms of governing and to spend political capital. And, like Bush, the vice president is also a realist with an underestimated political touch.

But it is as a leading player in the war on terror that Cheney is drawing fresh attention.

The vice president is an ally of a loose affiliation of White House and Pentagon officials known as neoconservatives, in Washington's shorthand, "neocons." Their brand of conservative idealism calls for a bold use of military power, not merely to secure the American homeland but to seize this moment of U.S. dominance and remake the world according to American values, starting in the Middle East.

In 1997, Cheney was among those who signed the Project for the New American Century's "statement of principles." The neoconservative think tank's document called on the U.S. "to challenge regimes hostile to our interests and values ... promote the

cause of political and economic freedom abroad" and "to accept responsibility for America's unique role in preserving and extending an international order friendly to our security, our prosperity and our principles."

Other high-ranking Bush administration officials who signed the manifesto include Defense Secretary Donald Rumsfeld and his deputy, Paul Wolfowitz; Cheney's chief of staff, Lewis "Scooter" Libby; and Elliott Abrams, who serves on the White House National Security Council, supervising Middle East affairs. They are joined in the top ranks of the administration by neocon theorist Richard Perle, who sits on the Defense Policy Board; Undersecretary of Defense Douglas Feith, who supervises Iraq's reconstruction and set up the Pentagon's special intelligence unit to review the CIA's work after the Sept. 11 attacks; and others.

In early 2002, Cheney was concerned about intelligence, particularly a report about Iraq seeking uranium ore - known as yellowcake - from Niger. Wilson, a former American ambassador, was sent to Niger by the CIA, met with officials there and cast doubt on the story upon his return. Wilson says the U.S. ambassador to Niger had similar doubts that were reported to the State Department.

A declassified CIA National Intelligence Estimate from earlier this year, released by the White House late last week, contains a warning from the State Department's bureau of intelligence and research that the Niger story was "highly dubious." Secretary of State Colin Powell refused to use it when he made the case for intervention in Iraq before the United Nations in February.

"Knowing how the system works," it is inconceivable that Cheney's office was not briefed by the CIA about his findings, said Wilson, a career diplomat who served under Republican and Democratic administrations. "If you are senior enough to ask the question, then you are senior enough to merit a specific response."

But Jennifer Millerwise, a spokeswoman for Cheney, says the vice president did not know of Wilson's trip or of his findings.

A senior White House official said Friday that Bush never saw the "highly dubious" verdict because it was contained in a footnote that the president failed to read. The president "is not a fact checker," the official said. Yet a reference to the State Department's doubts about the immediacy of the danger posed by Iraq's nuclear program was included in the very first paragraph of the "Key Judgments" that formed the heart of the CIA's National Intelligence Estimate.

Iraq purchased yellowcake from Niger years ago, and one of Wilson's sources did speak of being approached in a mysterious way by an Iraqi seeking an economic transaction that the CIA thought might be about uranium.

The CIA ultimately labeled Wilson's report as "inconclusive." It warned British intelligence not to use the Niger incident when Prime Minister Tony Blair's government issued a dossier on Iraq's weapons of mass destruction in September 2002. The British went ahead, and CIA officials told Congress that "we differed with the British dossier on the reliability of the uranium reporting," Tenet says.

According to administration officials, the CIA also persuaded the White House to remove a reference to the Niger report from a presidential speech on Iraq in October.

Cheney, meanwhile, kicked off the Bush administration's campaign against Iraq with the Aug. 26 speech before the VFW.

"Simply stated, there is no doubt that Saddam Hussein now has weapons of mass destruction," Cheney said. "There is no doubt he is amassing them to use against our friends, against our allies, and against us. ... This nation will not live at the mercy of terrorists or terror regimes."

Throughout the fall and winter, Cheney pressed the case against Iraq. His campaign culminated in a March 16 appearance on "Meet the Press," in which he stated that the U.S. government believed that Hussein "has, in fact, reconstituted nuclear weapons."

Cheney's office says he misspoke and that he meant to say that Iraq had reconstituted its nuclear weapons programs. "The vice president was answering a question about Saddam Hussein's nuclear weapons program, and it was clear from the context of his statement that he was referring to the nuclear weapons program," said Millerwise.

The gathering and analysis of intelligence is supposed to be an exercise of objectivity, removed from partisan, hierarchal or ideological pressure. Presidents and vice presidents rarely visit the CIA, and if they do, it's to make speeches or preside at public ceremonies. Cheney made working visits in the summer of 2002 that were "unprecedented," says Ray McGovern, a retired CIA analyst who believes the vice president was pressuring the agency.

"In my 27 years there, never once did a vice president come to visit on a working basis," says McGovern, a member of a small organization of former intelligence officials who have called on Cheney to resign.

Cheney declined to answer a series of questions sent to him via his office. But Matalin responded, saying that there is no truth to the assertion that the vice president was trying to pressure the CIA to reach a certain conclusion.

The CIA's semiannual reports on the spread of weapons of mass destruction "underwent a dramatic transformation" in the months leading up to the Iraq invasion, notes Cirincione of the Carnegie Endowment for International Peace. "After reporting essentially the same data for many years" the CIA reports suddenly took on a "new alarmist tone" about Iraqi capabilities in 2002.

"Was it just the psychological impact of the Sept. 11 attacks that made previous Iraqi activity now seem more ominous? Did Vice President Cheney's visits to the CIA influence analysts to change their views?" asks Cirincione. "Did the CIA adopt a new methodology in 2002 that skewed their results? Did Vice President Cheney's adviser "Scooter" Libby advise the analysts as to their conclusions and style?"

As intelligence information moved from classified documents to public consumption via published reports or official speeches, many of the caveats - and qualifiers such as "probably" and "maybe" that give texture to intelligence - were omitted.

A public version of the CIA National Intelligence Estimate released in October 2002, for example, contained several arguable conclusions. It declared that "all intelligence experts agree" that Iraq was buying aluminum tubing for use in enriching uranium, and that Iraq had "begun renewed production of chemical warfare agents."

In fact, experts from the Departments of Energy and State disagreed about the tubing, while the Defense Intelligence Agency had concluded that it had "no reliable information" on whether Iraq was producing and stockpiling chemical agents.

The CIA report also revived the yellowcake allegation, saying Iraq was "vigorously trying to procure" uranium, including "up to 500 tons of yellowcake" from Niger. The allegation was repeated in a State Department fact sheet in December, and Bush's aides then included a reference to Iraq's attempts to get uranium in Africa in his State of the Union address.

Though Bush accurately attributed the report to British intelligence in his speech, the CIA and the White House have since acknowledged that the intelligence about African uranium did not rise to the level of a presidential address. A few weeks after the State of the Union, the International Atomic Energy Agency and the CIA concluded that documents on which the Niger report was based were forgeries.

"Going down the list of administration deficiencies, or distortions, one has to talk about, first and foremost, the nuclear threat being hyped," says Greg Thielmann, who retired last September as the director of the strategic, proliferation and military affairs office in the State Department's intelligence bureau. "The Bush administration did not provide an accurate picture to the American people of the military threat posed by Iraq."

Democrats in Congress are now pressing for a public investigation of how intelligence was used and whether the CIA adjusted its analyses in response to pressure from Cheney, the Pentagon or the White House.

"It is profoundly important that the president, the vice president and other senior administration officials accurately portray intelligence information," says Rep. Henry Waxman, D-Calif. "President Bush is leading us in a new doctrine of preemptive warfare. ... There is unanimity that preemptive warfare's essential ingredient is accurate intelligence. It can't be founded on theory or suspicion - it needs fact."

Sen. Bob Graham, D-Fla., was more pointed in focusing attention on Cheney. On Sunday's "Meet the Press," Graham said:

"As to the role of the White House in increasing the sense of the imminence of an attack ... the figure that is interesting to me is the vice president. The vice president is the one who went to the CIA on several occasions. He asked specifically for additional information on the Niger-Iraq connection. The United States sent an experienced ambassador, who came back after a full review with a report that these were fabricated documents.

"You cannot tell me that the vice president didn't receive the same report that the CIA received, and that the vice president didn't communicate that report to the president or national security advisers to the president."

Some Democrats Think Intel Ranking Member Isn't Team Player (Roll Call)

By Emily Pierce

Roll Call, July 23, 2003

Sen. Jay Rockefeller's (W.Va.) unwillingness to consult Senate Democratic leaders on his strategy for tackling the White House's potential misuse of intelligence data is raising the hackles of some in his Caucus who fear a lack of a coordinated message could foil Democratic attempts to take full political advantage of the situation.

"He's not the team player we need him to be," one senior Senate Democratic aide said of the ranking member of the Intelligence Committee.

With Democrats raising questions about whether the White House intentionally publicized suspect intelligence to justify the need to invade Iraq, Rockefeller has become a coveted TV news guest. But some Democrats complain that his moderate tone and cautious approach to his panel's inquiry into the White House's use of intelligence is making it more difficult for other Democrats to aggressively criticize the administration and is sending the public mixed messages about the gravity of the situation.

"The leadership can't really do anything about it," the Democratic aide said.

Minority Whip Harry Reid (D-Nev.) denied there was any anger toward Rockefeller, but he noted that the 18-year Senate veteran does not take kindly to leadership interference in his activities.

"He doesn't need to be told what to do, and if you tried to tell him what to do, he probably wouldn't do it," Reid said.

Rockefeller acknowledged that he has been charting his own course in the intelligence matter and said he had not had any conversations with Minority Leader Tom Daschle (D-S.D.) about how he should proceed.

"It wouldn't occur to me to do that," Rockefeller said. "I don't feel I need to check in."

Rockefeller also dismissed the notion that he was not cooperating with Democratic leadership attempts to coordinate the criticism of the White House.

"We've been in total coordination," he said Tuesday in response to questions about the internal criticism.

But in an interview last week, Rockefeller was more blithe.

"It's hard to coordinate. Things move too fast," he said at the time.

A senior Senate Democratic aide said the coordination issue was not a "huge problem" now, but some Democrats fear a continued lack of a coherent message could eventually prevent the party from fully capitalizing on what they view as a principal Bush weakness going into the 2004 presidential election.

Another Senate Democratic aide noted that some lawmakers have also privately complained that Rockefeller has appeared at times to defend Intelligence Chairman Pat Roberts' (R-Kan.) reluctance to initiate a probe.

The staffer also said that Armed Services ranking member Carl Levin (D-Mich.) was so disappointed with what he felt was the limited scope and closed nature of the Intelligence inquiry, as well as Armed Services Chairman John Warner's (R-Va.) reluctance to initiate an investigation, that he ordered his own committee staff to begin looking into the intelligence used to justify the war.

Levin, however, denied that he launched his own probe because of Rockefeller's agreement with Roberts to have a series of closed hearings.

"It has nothing to do with dissatisfaction," said Levin, who has been calling for a far-reaching, open inquiry.

Rockefeller also has irked some in his party by openly criticizing Democratic presidential candidates who have accused the White House of misleading the American public in this year's State of the Union address.

For example, in a June appearance on Fox News, Rockefeller responded to a question about presidential aspirant Sen. John Kerry's (D-Mass.) comment that President Bush may have "lied" in his State of the Union address about Iraq's pursuit of weapons-grade plutonium:

"The Senator is running for president," Rockefeller said. "And I think that Pat Roberts and I make a distinction between people who are running for president and therefore need to capture attention and what we on the Intelligence Committee have to do."

Rockefeller defended those comments as necessary and proof of his desire to approach the matter with impartiality.

"I've made what people call very bipartisan comments because I've been critical of a couple of presidential candidates, when they say things with a clear political purpose," Rockefeller explained. "But I say it so I can keep my credibility within the intelligence community."

Rockefeller emphasized that, in addition to other reasons, he has been very outspoken in criticizing the administration's attempt to blame CIA Director George Tenet for allowing intelligence gleaned from forged documents to make it into the State of the Union address. He has repeatedly insisted that White House aides, including National Security Adviser Condoleezza Rice, had to have been aware that the intelligence on Iraq's attempts to buy plutonium from Africa had been discredited.

But he acknowledged that he has tried to criticize responsibly, especially following Tenet's appearance last week before the Intelligence panel.

"What I said was balanced and it was sort of forward-looking," he said. "And I think that is my role."

Durbin Accuses White House Of Intimidation (Roll Call)

By Mark Preston

Roll Call, July 23, 2003

Sen. Dick Durbin (D-Ill.) sharply criticized the White House on Tuesday of falsely accusing him of leaking sensitive intelligence information and leading a campaign to discredit him for speaking out against the administration's handling of the Iraqi war.

Using the Senate floor to air his grievance before a national television audience, Durbin claimed White House press officials told reporters Friday that Republican Senators were considering taking steps to try to remove him from the Intelligence Committee - an action supported by the administration - for speaking publicly about a closed-door briefing with CIA Director George Tenet.

The Illinois Democrat described the White House efforts as an attempt to "intimidate" people such as himself for criticizing President Bush's handling of the war and vowed not to be bullied by the administration's tactics.

"If Members of the Senate are going to be subject to this kind of effort by the White House and discouraged from meeting our responsibility, I don't think we are doing the people's business," Durbin said in an interview after delivering his biting floor speech. "When it goes to the point of questioning my integrity over my service on the Intelligence Committee that really is as serious as it gets."

"There is no truth to that at all," Allen Abney, a spokesman for the White House, said of Durbin's allegations.

Durbin's salvo is the latest flashpoint between Democrats and Republicans in the debate over whether White House officials willfully allowed Bush to declare in his 2003 State of the Union address that Iraqi President Saddam Hussein was trying to purchase uranium from Africa to build nuclear weapons.

The Africa information promoted by British intelligence has since been discredited, and in recent weeks the public has learned U.S. intelligence officials were skeptical of the information before Bush delivered his national address in January. In recent weeks, a handful of Congressional Democrats and candidates seeking the Democratic presidential nomination have blasted the White House over the January speech, calling into question whether Bush was being truthful as he sought unequivocal support to wage war against Iraq.

So far, no effort has been made to try to force Durbin to leave the committee, and most Republican Senators refused to discuss the situation. A senior Democratic Senator warned that any effort to try to force Durbin to step down would result in a full-blown political fight.

"The fact that Senator Durbin asks tough questions and perhaps uncomfortable questions ought not be a predicate for having anyone suggest he should be removed from the committee," said Senate Democratic Policy Chairman Byron Dorgan (N.D.). "He is a very valuable member of the Intelligence Committee, very smart and very aggressive, and it would be entirely inappropriate for the Republicans to try and take him off of that committee."

"The decision of committee assignments is our decision, not theirs," Dorgan added.

But a senior GOP Senate aide said many Republican Senators have indeed discussed whether they should try to reprimand Durbin.

"There are rules, laws and conventions about this stuff and Members are wondering how close Dick Durbin is to the line," said the aide, who demanded anonymity. "It is not just White House spin."

Sen. Trent Lott (R-Miss.) said he thinks Durbin had "probably gone too far" in his public statements he made last week about Tenet's testimony.

"I am concerned that there is too much getting out there that should not be, and I hope that Senator Durbin and all members of the Intelligence Committee will be very careful," said Lott, who is a member of the Intelligence Committee.

Another member of the Intelligence panel, Sen. Olympia Snowe (R-Maine), said she has asked Intelligence Chairman Pat Roberts (R-Kan.) to clarify the rules about what committee members can publicly discuss following a closed-door briefing.

"There is a concern among Members of the committee about the type of disclosures that are occurring that are attributed to Senators on the committee in the aftermath of last week's hearing," she said. "We all have to operate by the same rules."

Specifically, Republicans are grumbling about Durbin's decision to reveal in an interview Thursday with ABC's "Good Morning America" that Tenet told the Intelligence panel a White House official insisted the Africa claim be put in the State of the Union speech. Later that day, Scott McClellan, the White House press secretary, described Durbin's claim as "nonsense."

"It was clearly a second-day effort to put pressure on me because of what I have been saying publicly," Durbin said of the White House's alleged smear campaign.

Sen. Orrin Hatch (R-Utah), a senior member of the Intelligence panel, described Durbin's accusations of a White House attempt to discredit him as "typical political talk."

"I know the White House about as well as anybody, and I haven't seen any of that whatsoever," Hatch said.

But Sen. Hillary Rodham Clinton (D-N.Y.) defended her colleague and said the Bush administration has a history of trying to intimidate its critics.

"Senator Durbin is an extraordinarily effective Senator and he cares deeply about the situation we find ourselves in and I have total confidence in him," she said. "Why wouldn't they strong-arm Senators? They strong-arm everybody else."

Interestingly, Hatch, himself was criticized for talking publicly about information regarding Osama bin Laden following the Sept. 11, 2001, terrorist attacks.

"We have to be careful talking about things that come before the committee," Hatch said Tuesday. "That is all I can say. Mistakes are sometimes made. Misunderstandings occur."

Since Sept. 11, Congress and the White House have been sparring about intelligence leaks regarding the war on terrorism. The FBI opened an investigation in 2002 at the request of Sen. Bob Graham (D-Fla.) and Rep. Porter Goss (R-Fla.), the respective chairmen of their chambers' Intelligence Committees, after Vice President Cheney complained about Members leaking information from a closed-door meeting with National Security Agency Director, Lt. Gen. Michael Hayden. The FBI never discovered the source of the leak, but the probe caused Members to question why it was allowing the executive branch to investigate the legislative branch.

Blair Denies Authorizing The Leaking Of Inspector's Name (NYTimes)

By WARREN HOGE

The New York Times, July 23, 2003

LONDON, July 22 - Prime Minister Tony Blair sharply denied today that he approved making public the name of the weapons inspector David Kelly in the running battle between his government and the BBC that led to the scientist's suicide last week.

"Emphatically not," Mr. Blair told reporters during a flight from Beijing to Hong Kong. "I did not authorize the leaking of the name of David Kelly."

The name of Dr. Kelly was disclosed to British newspapers earlier this month by the defense ministry, where he worked, as the likely source for a BBC report saying that one of Mr. Blair's top aides had "sexed up" an intelligence dossier to overcome public doubts about military action in Iraq. Dr. Kelly had confided to officials that he had met with the BBC reporter involved and could discount the reporter's version of the conversation.

The leak, part of a government campaign to discredit the broadcaster, was intended to show that the source of the hotly contested report was not a high level intelligence official as the BBC described him and therefore could not have made the

report's damaging contention that Downing Street had inserted into the intelligence document a claim that Saddam Hussein had chemical and biological weapons deployable in 45 minutes.

Last Tuesday, Dr. Kelly underwent a humiliating round of questioning in televised hearings before the House select committee on foreign affairs, and two days later, he took his life, slashing his left wrist with a knife while out walking on a rural footpath near his Oxfordshire home. His friends and family have suggested that the bullying treatment left the intensely private scientist bewildered and overwhelmed.

A formal judicial inquiry led by Lord Hutton, a senior British judge, is scheduled to begin next week. But a flurry of charges and countercharges showed that a vigorous blame game was already under way as the BBC and various parts of the Blair government sought to protect their reputations and deflect responsibility for the events leading to the death of Dr. Kelly.

Mr. Blair's denial that he had betrayed Dr. Kelly's confidentiality shifted the focus onto two of his most trusted aides, Geoff Hoon, the defense secretary, and Alastair Campbell, the communications and security chief. Mr. Campbell was accused in the original BBC report of personally overseeing the doctoring of the intelligence dossier, and he has led the wide ranging attack on the corporation, accusing it of following an "anti-war agenda."

Mr. Blair was on a leg of a Far East tour aimed at enhancing British commercial opportunities in China, but he found himself dogged by questions about the suicide and the ongoing debate in Britain over whether the government manipulated intelligence to bolster its case for war

The British press, on the lookout for any discrepancies in the versions of developments emerging from various ministries, noted that Mr. Blair's denial of any involvement was more thorough-going than a statement made by one of his own spokesmen on Monday in London. "We were consulted," the spokesman had said, "but the Ministry of Defense were the lead department and remained the lead department."

Several British newspapers today interpreted that as an attempt by Mr. Blair's handlers to place responsibility with Mr. Hoon.

The Financial Times said that while the defense ministry adopted an official policy of refusing to name Dr. Kelly directly, they decided they would confirm his identity if journalists came up with his name. The paper said this strategy was sanctioned by Mr. Hoon.

The Ministry of Defense declined to comment on the issue. "We do not want to pre-empt anything that the inquiry will be looking into," a spokesman said.

The Times of London reported that one of the 12 governors of the BBC was pushing for an emergency meeting to consider whether they had been given all the facts about the report and the nature of its source before they agreed last week to issue a statement endorsing its accuracy.

A spokesman for the BBC denied there was any division on the board, and Gavyn Davies, the corporation's chairman, said there were no plans for a speedy session. "All governors agree that there is no need to convene a special meeting of the board," he said. "However it is our prerogative to hold a meeting at any time of our choosing should we consider it necessary."

Two new polls today added to the government's gloom, with a survey in The Guardian showing public trust in Mr. Blair, one of the most popular prime ministers in British history, plummeting to 39 percent, down 12 points in a month. Another, in The Sun, the largest daily tabloid, said that a quarter of voters who supported Labor at the last election two years ago have switched to another party.

As for whether Mr. Blair's future was really in jeopardy, The Guardian was reassuring, showing that despite the number of setbacks to Labor in recent weeks, the party would still capture 36 percent of the votes to 34 percent for the Conservatives if an election were held now. The gap, however, had been 41 to 29 in May.

Iain Duncan Smith, the Conservative leader, may have failed to capitalize on Labor's troubles, but he moved today to leverage the current crisis in the Tories' favor. He said that those who exploited Dr. Kelly should pay with their jobs.

"If it turns out that after having granted confidentiality, Dr. Kelly's name was pushed out into the public domain for political reasons," Mr. Duncan Smith said, "then clearly anyone who is responsible will have to answer that charge and one assumes that their position would quite rightly be untenable."

Blair Denies Authorizing Leak Of Kelly's Name (FT)

By Cathy Newman in Hong Kong and Tim Burt and James Blitz in London

The Financial Times, July 23, 2003

Tony Blair on Tuesday gave his most robust defence of the government's conduct in the David Kelly affair, insisting that it had "acted properly throughout" and dismissing as "completely untrue" charges that he had personally authorised the leak of the weapons expert's name to the media.

But as the repercussions of Mr Kelly's apparent suicide continued to dominate British politics, Geoff Hoon, the defence secretary, came under growing scrutiny over whether he had sanctioned a policy that helped journalists identify the former MoD scientist after information was released about him.

Mr Blair and Mr Hoon may be asked in a forthcoming independent inquiry into Mr Kelly's death to explain whether such a strategy existed and whether more should have been done to protect Mr Kelly's identity.

The BBC - which, like the government, has much at stake in Lord Hutton's inquiry - defended its decision to broadcast the claims at the origin of the row. The report alleged that Downing Street had doctored its dossier on Iraq's weapons of mass destruction last September, a claim for which Mr Kelly was the BBC's principal source.

In a statement, the BBC board of governors quashed reports of a dispute in their ranks, standing firmly by a unanimous declaration issued two weeks ago that it was "in the public interest" to broadcast the story by BBC reporter Andrew Gilligan.

The BBC also told the FT that it intends to defend its decision to broadcast Mr Gilligan's report by supplying the independent inquiry by Lord Hutton with tape recordings of conversations between Mr Kelly and another BBC reporter, Susan Watts.

In a submission to Lord Hutton, the corporation will concede that the BBC board of governors, other officials and journalists were wrong to describe the source of Mr Gilligan's report as "intelligence sources". But it remained unclear how the taped conversation between Ms Watts and Mr Kelly could substantiate Mr Gilligan's broadcast. Ms Watts reported on June 4 that her source - Mr Kelly - "was not disputing that the 45-minute assessment was included in the dossier by the intelligence services". Mr Gilligan five days earlier had reported his source as saying that "the [dossier's] transformation . . . took place at the behest of Downing Street".

Questioned by journalists on a flight to Hong Kong as to whether he authorised Mr Kelly's name to be leaked, Mr Blair answered: "That's completely untrue." He added: "My starting point going into the inquiry is that I believe we have acted properly throughout."

He was then asked whether the Ministry of Defence had confirmed on July 9 that Mr Kelly was the unnamed official who had informed the MoD that he was the possible source for a BBC report on the government's Iraq dossier. Mr Blair replied: "That's a completely different matter once the name is out there."

The BBC Must Not Be A Casualty Of War (FT)

Op-ed by Chris Smith

The Financial Times, July 23, 2003

All of us in the Westminster village - politicians, government officials, journalists - ought to be ashamed of ourselves. All too often we treat the political debate as a game: who's up, who's down, who said what to whom, who can be tripped up with what. Then reality intrudes, in this case in horribly tragic fashion. It ought to bring us up short, to remind us of what truly matters, to concentrate our minds on the big questions. Yet within hours we are at it again, with a parade of apologists for one side or the other being dismissive or triumphalist in turns.

For what it is worth, I suspect that Andrew Gilligan did amplify what he had been told by David Kelly, in order to make it sound more dramatic - though the concerns Mr Kelly had about the government's published statements were real enough. I suspect that Alastair Campbell, the prime minister's director of communications, did indeed put added emphasis and gloss on to the raw intelligence material presented to the government - although I do not believe he inserted anything that was not there in the first place. I suspect that the Ministry of Defence did put Mr Kelly's name into the public domain, believing that this would help the government's "case" against the BBC.

I suspect that Greg Dyke, the BBC's director-general, and Gavyn Davies, the chairman, were delighted to have a chance to show their independence from a Labour government - though they also wanted to stand firm in not revealing journalistic sources. And I suspect that the board of governors of the BBC accepted a little too readily the version of events set before them by their executives. It is something they are wont to do and they always need to remember their responsibilities as regulators, not just as managers.

I hope that Lord Hutton will search diligently through all of this undergrowth and establish clearly where the truth lies. It is important, of course, that he does not artificially limit the scope of his inquiry. If the logic of his investigation takes him into broader issues, unravelling exactly why we went to war and the validity of the stated reasons given at the time, that is what he should examine. He should realise that he is in an impregnable position. The government cannot place artificial barriers on his work, however much it may want to. He must have a look at whatever he thinks is necessary to get at the truth.

In all of this, however, there is one thing of which I am sure. Public service broadcasting itself must not become a casualty of the conflict. The BBC is the most important of our public service broadcasters. It is a fundamentally important part of the life of the nation. It is of greater value than any individual politician. It also has great responsibilities. And it does not always get everything right. But it cannot and should not become a victim to be threatened, scapegoated and kicked around by whoever wants to gain a momentary upper hand in the media war that - sadly - has now restarted.

I have been particularly alarmed in the past few days to hear some of my parliamentary colleagues talking about the future of the BBC's status and licence fee income, in the light of the 2006 review of its charter. This is little short of blackmail; and to make an explicit link between the events of the recent past and the BBC's overall future would be outrageous. Any decisions about how the BBC is funded and governed, and what the shape of our public service broadcasting landscape should be, must be taken at the appropriate time on their merits. They should not be influenced by any pique about a particular argument or spat, however controversial.

Of course the BBC is going to be robustly independent. Of course it is going to "defy" the sitting government from time to time. Even if it sometimes gets that defiance slightly wrong, it must continue to criticise. That is what it is there for. I remember when I was talking with China's minister for broadcasting, a few years ago, and he complained about the BBC's critical reporting about Tibet, I told him that - as minister in charge of broadcasting in Britain - I myself was regularly criticised by the BBC. He could not believe we would allow such a state of affairs. But I am proud to live in a country that not only allows such things to happen but also insists on it.

There are entirely legitimate issues to be discussed, as we approach the charter review, about the way the BBC is governed and regulated. I for one have been arguing for some time that the back-stop regulatory power over the BBC governors should rest with Ofcom rather than with the secretary of state: it is important to take it out of the realm of politics. But that point should not get mixed up in a general assault on the BBC, its decisions, its journalism and its ability to be awkward, just so that one side of a current argument can gain ground over another.

A period of reflection is certainly needed, not just about the events that led up to Mr Kelly's tragic death but about the decisions that led to war, the political judgments made since and the importance of independent public service broadcasting in a democracy. Bashing the BBC's fulfilment of this role may be an easy option for some. But in reality it serves the nation ill.

The writer was secretary of state for culture, media and sport 1997-2001

Uneasy Statesmen And Spy Alliance (FT)

By Mark Huband

The Financial Times, July 23, 2003

The cracks in the normally smooth process of intelligence sharing between London and Washington must soon force both governments to accept that the strategy of using intelligence to justify pre-emptive war in Iraq has failed.

This failure is not explained by a faulty or misplaced conviction on the part of the two governments that something needed to be done about Saddam Hussein. Nor do the US Central Intelligence Agency and the UK Secret Intelligence Service (known as MI6) have any doubts about the veracity of most of the information they had assembled.

The failure has been in transforming the intelligence into a credible and enduring political argument.

Secret intelligence is a potent weapon. The sequence of events that led to the apparent suicide last week of David Kelly, the British scientist and former UN weapons inspector, in part stemmed from his portrayal by the BBC as a "senior intelligence source". As controversially, President George W. Bush cited British intelligence as the source of claims that Iraq sought to buy uranium from Niger.

In fact, Mr Kelly was not an intelligence source, while Mr Bush's claim was later proved to be based on forged documents and not on British intelligence. Information drawing on this stock of secret facts has now become a veil used to obscure the shortcomings of a strategy based on secrecy rather than openness.

"Intelligence," a senior intelligence officer told me recently, "is that crucial 5 per cent that can make a picture whole." Rarely is it so substantial as to constitute the entire picture. But by falling back on intelligence to justify war, both the US and UK governments sought to transform that "crucial 5 per cent" into 95 per cent of the reason to fight. The dangers of doing so are now emerging.

A crucial but overlooked element in the debate about the credibility of the secret intelligence used to justify the war is that information accepted by the CIA was often rejected by MI6, and vice versa.

The different views of the US and UK intelligence services on the issue of Iraq's alleged attempts to procure uranium are consistent with the way intelligence agencies work but at odds with the way governments work. The increasingly uneasy relationship between statesmen and spies - particularly in Washington - now risks seriously damaging both, as we see the pitfalls of building a case for war that is dependent on the assessments of the intelligence agencies rather than the ideological convictions of parliaments.

Throughout the lead-up to war, the rationale pursued in Washington held the September 11 2001 terrorist attacks in New York and Washington as the starting point. Within hours of the attacks, the Bush administration sought to implicate Mr Hussein and link the regime to al-Qaeda. In the UK, this link was never accepted by MI6, despite the issue being at the heart of the US rationale for war in Iraq.

Other significant differences existed. In the immediate pre-war period, the CIA concluded that, if left unchecked, Iraq could build a nuclear weapon within one year, while the UK assessed that it would take twice as long. With the outbreak of hostilities, the coalition partners' vastly different assessments of Iraq's military capability and strategy quickly became clear. Again, secret intelligence was the source of these differences.

Herein lies the difficulty for the US and UK governments. To convince their doubting publics of the correctness of war, the governments in London and Washington had at all costs to highlight the common ground and breadth of agreement that existed between them. But to achieve this they used material from intelligence agencies whose positions differed on crucial issues and whose often opposing views are a normal state for the intelligence community.

It is these opposing positions that enrich the US-UK intelligence-sharing process - but which have become the Achilles' heel of the two countries' political alliance. The contradictions in intelligence are clearly untenable as the building blocks of such an alliance. No more so than when they are subject to political opposition and media scrutiny - from which the intelligence agencies can try to keep their distance, leaving their political masters to utter only partial facts while arguing that the full story cannot be told because it is a secret.

Parallel Universes (WPost)

By Anne Applebaum

The Washington Post, July 23, 2003

Late last week Tony Blair made a speech in Washington. Afterward various British journals of record summed up their prime minister's performance. The Daily Mirror found "something quite nauseating" about the speech, in which Blair once again "backed America in what many now view as a war based on lies." The Daily Mail sneered at "Blair the brilliant contortionist, trying to have it both ways." The Guardian, meanwhile, declared that the speech represented a "significant softening" of the prime minister's position on Iraqi weapons, and described the event this way: Blair "stood before hundreds of members of Congress to admit that he may eventually be proved wrong."

Is that what he was doing? Funny, but if you'd been reading the American press, you'd have had quite a different impression. "Bush, Blair Defend Motives Behind War," read the headline in The Post, which failed to detect any "significant softening" in the prime minister's words. The New York Post -- the closest thing Americans have to the Daily Mail -- failed to see anything remotely "contortionist" in the speech either, writing that "Blair's address clearly reflected a nuanced appreciation of America's role in the world." Far from sounding "nauseating," Blair "heralded the role the United States has played in fighting the broader war on terrorism," wrote the Los Angeles Times. Not since Mikhail Gorbachev simultaneously became an international superstar and the most hated politician in Russia has a political leader enjoyed such disparate reputations at home and abroad.

In part these remarkably different descriptions of the same speech reflect the vagaries of domestic politics. The issues that actually make Blair unpopular in Britain, such as the travails of the National Health Service, are not issues here at all, and some of what we see as his better attributes are considered failings in Britain. Here he's thought eloquent; there he's thought slippery. Here he's thought statesmanlike; there he's thought to be too interested in foreign countries, and not enough interested in his own.

But they also reflect a larger phenomenon that is not much better understood. America and Britain -- along with America and France, America and Russia, America and Botswana, America and anywhere, really -- live in parallel informational universes. By that I mean that the media produced in different cultures don't merely reflect different opinions about the news, they actually recount alternative versions of reality.

Different countries have always had different perspective on the news, of course. But in the world of globalized information, where just about any newspaper or television program in any language is available at the click of a mouse, this isn't supposed to happen anymore. Nowadays we're all supposed to know what everybody else is thinking, to have access to the same images and information, and some of us do. Peasants in rural India gather around village television sets to watch reruns of "Dallas." In different time zones, Japanese and German bankers watch the same images on their Reuters screens. It is often said now that events are monitored around the world in "real time," or that we all live in a "global informational village," as if such a thing had already come to pass.

During the Iraq war, a few Americans and Europeans, at least, began to notice how tiny that village actually is. It wasn't hard to see that the war as broadcast by the BBC or Deutsche Welle was quite different from the war as broadcast by NBC or CNN. Fewer understood that this is not only a Euro-American problem: A German friend visited Poland during the war and was surprised by how much less blood seemed to appear on the Polish evening news. And the differences run much deeper than a disagreement over Iraq, or portrayals of a single event. It isn't just that Europeans have different opinions from Americans about the Israeli-Palestinian conflict, for example, they actually learn different facts and read about different events, and therefore they reach different conclusions. When George Tenet fell on his sword earlier this month over that now infamous piece of British intelligence that made it into the president's State of the Union speech, the story played here as "White House Dumps on CIA." In Britain, it played as "White House Dumps on Britain."

Strangest of all, the availability of alternative points of view doesn't appear to have mellowed anyone's prejudices -- quite the contrary. Nowadays, we all live under the illusion that we are receiving many different types of information, but that we select only the most plausible. In fact, as information multiplies, it grows ever easier to choose to read (or watch) whatever best matches your particular bias, whether national or ideological. If you hate network television's right-wing bias, you can click onto, say, www.globalexchange.org or www.moveon.org. If you hate network television's left-wing bias, you can always watch Fox. Having done so, you'll labor under the illusion that you've picked the most truthful version of events -- but how would you know? Have you actually compared and contrasted the arguments of both sides and come to a judicious conclusion?

What is true here is even more true internationally. If British newspaper readers learned anything of Blair's rapturous reception here last week, they learned it from British articles denouncing the slavish U.S. media. If French television viewers learned anything about American perceptions of the war in Iraq, they learned it from French news items on the jingoistic U.S. media. The prophets of globalization once spoke of a seamless, borderless world, in which national differences would magically disappear. They were wrong.

Weary Brigade Told It'll Leave Iraq (AJC)

4,000 soldiers on front line ordered to pack for Kuwait

By RON MARTZ

The Atlanta Journal-Constitution, July 23, 2003

FALLUJAH, Iraq -- Battle-weary soldiers of the 3rd Infantry Division's 2nd Brigade Combat Team are not heading home to Fort Stewart yet, but they will be moving in that direction soon.

About 4,000 soldiers in the unit that led the Army's attack into Iraq were told Tuesday to begin packing their gear for a move back to base camps in Kuwait later this week.

Military officials called the move "a change of mission" and said it does not mean the unit has orders to deploy home. The unit has been in Kuwait and Iraq for 10 months.

"A change of mission is not the end of mission. We will be used as the [Central Command's] strategic reserve," said Lt. Col. Eric Schwartz, commander of the brigade's Task Force 1-64.

As Central Command's strategic reserve unit, the brigade could be sent to any of the 25 countries in the Middle East and Southwest Asia. It also could be redeployed to Iraq if the situation deteriorates.

And Schwartz said the orders could be canceled if problems in Fallujah, about 40 miles west of Baghdad, worsen in the next few days.

But Schwartz told his staff and company commanders to be ready to leave Fallujah, a city considered one of the last pro-Saddam strongholds, by Saturday. The 2nd Brigade expects to be replaced by elements of the 3rd Armored Cavalry Regiment.

Although no definite date has been set for redeployment home, Schwartz said the move will be good for his soldiers and their morale.

"It makes me feel better as a commander that I can get my soldiers out of a combat zone," he said. Schwartz, 41, of Alexandria, Va., said he was approaching the order to return to Kuwait "with guarded optimism."

The unit has been told twice in recent months to prepare for redeployment, only to have those orders canceled at the last minute. The latest cancellation, little more than a week ago, angered soldiers and families, some of whom felt they were betrayed by the Army's civilian leadership.

Capt. Jason Conroy, commander of the task force's Charlie Company, said Tuesday's order to return to Kuwait was "a move in the right direction."

Charlie Company soldiers, who saw some of the toughest fighting of the war, were both hopeful and skeptical when told of the planned move to Kuwait.

"I'm not going to get too excited yet, because we've heard this before. I'll believe it this time when I see it," said Sgt. Andrew Coffman, 32, of Shawnee, Okla., a weapons specialist for the company.

But Spec. Tony Lyman, 26, of Eugene, Ore., called it "the best news I've heard yet."

"It will take a lot of stress off," agreed Spec. Matt Larimer, 26, of Easton, Pa., "because we won't be under fire all the time."

Members Of Iraqi Political Council Seek Help At UN (WPost)

Officials Ask for Reconstruction Aid and Promise to Act Swiftly to Make Way for Elected Government

By Colum Lynch

The Washington Post, July 23, 2003

UNITED NATIONS, July 22 -- Representatives of a U.S.-approved Iraqi political council made their international diplomatic debut today, appealing before the U.N. Security Council for help in funding the country's reconstruction and pledging to move swiftly to pave the way for an elected Iraqi government.

Speaking on behalf of the 25 members of the Governing Council, Adnan Pachachi, an Iraqi foreign minister before Saddam Hussein's rise to power, sought to assure the council that the emerging political leadership represents the legitimate aspirations of Iraq's 26 million people. He said his group's primary goal is to "shorten the duration" of the political transition in Iraq and to "constitute an elected government under a constitution to be endorsed by the population in a free election."

Pachachi was accompanied by Ahmed Chalabi, a former exile leader who enjoys strong Pentagon backing, and Akila Hashimi, who served in Hussein's foreign ministry. Their appearance followed a campaign by the Bush administration and U.N.

Secretary General Kofi Annan to persuade the Security Council to recognize the group's legitimacy and to help restore Iraq's security and resuscitate its battered economy.

"We owe a debt to the people of Iraq that can best be honored by our demonstration -- in our word and deed -- of our collective and cohesive commitment to supporting the rehabilitation of their country, now and into the future," Annan's special envoy, Sergio Vieira de Mello, said in his first extensive briefing to the council on Iraq. "The people of Iraq deserve no less."

Today's meeting -- which was designed to present a united Iraqi face to the world -- revealed some tensions within the ranks of the new Iraqi leadership. Chalabi initially threatened to boycott the event because he was not selected to address the council.

Members of the 15-nation Security Council generally expressed support for the July 13 establishment of the governing council as a first step toward self rule. But the representatives of several Security Council members made it clear during today's meeting -- which was briefly interrupted by two protesters who challenged the group's legitimacy before being dragged out of the gallery by U.N. security guards -- said that Iraqis would have to be given more freedom to chart their political future.

"We . . . acknowledge that the governing council is broadly based, composed of many groups of the Iraqi people and may provide the international community with an Iraqi partner with whom she can engage," said Gunter Pleuger, Germany's ambassador to the United Nations. "However, the most important decision, whether the governing council is accepted as the legitimate transitional representation of the Iraqi people, has not been taken yet. This decision will have to be taken by the Iraqis themselves."

Germany joined France and other key council members in insisting that the United States and its military allies must bear chief responsibility for meeting the Iraqis' basic needs and restoring stability. Their position complicates the administration's efforts to solicit foreign aid to help finance the reconstruction and to recruit foreign troops for peacekeeping duty in Iraq.

Germany's stance also reflected the reluctance of council members to make a major commitment to Iraq's reconstruction without assurances that their companies would have access to the Iraqi market.

Secretary of State Colin L. Powell said last week that he is exploring the possibility of pursuing the adoption of a new Security Council mandate that would provide potential troop contributors, including India, with sufficient political cover to participate. Germany, France, Russia and other council members indicated a willingness to restart the negotiations on a resolution that would strengthen the United Nations' role in Iraq.

But U.S. officials and U.N. diplomats in New York said the administration has no immediate plans to introduce such a resolution. "I don't think there's anything quite going to the point yet of whether somebody -- us or somebody else -- might put forward a resolution," State Department spokesman Richard Boucher said. "It's a matter of discussion."

Iraq's Governing Council Gains Support At UN (NYTimes)

By TIMOTHY L. O'BRIEN

The New York Times, July 23, 2003

UNITED NATIONS, July 22 - United Nations Secretary General Kofi Annan and his special representative in Iraq, Sergio Vieira de Mello, warmly embraced Iraq's interim Governing Council today, setting the stage for international recognition of the American-backed council and positioning the United Nations to play a more substantive role in Iraqi affairs.

Speaking at a Security Council meeting convened to hear Mr. Vieira de Mello's assessment of reconstruction efforts in Iraq, Mr. Annan cited the Iraqi council's formation "as an important first step toward the full restoration of Iraqi sovereignty."

While the Governing Council will have the power to staff new Iraqi ministries and oversee some aspects of local security, absolute authority for the time being will still reside with American administrators in Iraq. To that end, Mr. Annan also called for "an early end to the military occupation through the formation of an internationally recognized, representative government."

The United States, struggling to restore order, security and public services in Iraq since the White House declared an end to hostilities there in May, is seeking sorely needed financial and military support from other Security Council members. But Germany, France and Russia, which opposed the invasion of Iraq in fractious and bitter Security Council debates earlier this year, have said they will not pledge troops or money to Iraq without a new United Nations resolution authorizing them to do so.

The American ambassador to the United Nations, John D. Negroponte, made no reference to a new resolution in his Security Council comments today but said that a resolution adopted two months ago outlining the post-war administration of Iraq already envisages financial and military participation by other council members.

The United Nations' international standing was badly damaged when it was diplomatically sidelined before and after the invasion of Iraq, but the nettlesome military and security problems encountered by American forces in post-war Iraq have provided an opening for the United Nations to reassert itself.

"This is a place where the U.N.'s interests and the United States' interests overlap," said Rachel Bronson, a specialist in Middle Eastern affairs with the Council on Foreign Relations. "The U.N. wants to play a role in Iraq and the recognition of the Governing Council is a very important step toward that."

"The fact that Kofi Annan is endorsing the governing council will make it difficult for others on the Security Council not to recognize it as well," Ms. Bronson added.

If Iraq's Governing Council is recognized by the Security Council and the United Nations General Assembly, it would assume an official role as Iraq's representative here, with voting rights in all United Nations bodies. In theory, the Governing Council is meant to serve as a bridge between American military occupation of Iraq and self-rule by the Iraqi people. But the composition of the council has been controversial, largely because of the presence of Ahmed Chalabi, a financier and Iraqi exile who had been chosen by the Pentagon before the war to serve as Iraq's new president.

Mr. Chalabi joined a three-person Iraqi delegation that attended the Security Council meeting today. The delegation was led by Adnan Pachachi, Iraq's foreign minister just before Saddam Hussein seized power in 1968. The third member of the delegation was Akila al-Hashemi, a United Nations specialist in Iraq's foreign ministry while the Hussein regime was still in power.

Political protesters briefly disrupted the Security Council meeting by denouncing Iraq's Governing Council as illegitimate before they were escorted out of the Security Council's chambers.

Iraq's Governing Council was put in place in consultation with Mr. Vieira de Mello, who noted today that "security in Iraq remains tenuous" because of daily attacks on Iraqi police and American soldiers and because of violent and persistent street crime. He noted that poor health care and ubiquitous land mines are two of the most pernicious problems encountered by Iraqis, and that the scale of human rights violations during the Hussein regime have turned out to be even greater than originally thought.

Mr. Vieira de Mello said that "several hundred thousand" Iraqis were murdered by the Hussein regime, with at least an equivalent number unfairly incarcerated or tortured. He said a new Iraqi government must have among its goals the protection of civil liberties, the creation of an independent media, and the assurance of equal rights for women.

Mr. Pachachi echoed many of Mr. Vieira de Mello's sentiments in his comments here, describing the administrative challenges facing the Governing Council as "enormous." He said the council plans to hire 30,000 police and to try to absorb about 200,000 demobilized Iraqi soldiers into the work force.

"Our primary goal is to shorten the duration of the interim administration," and pave the way for a new constitution and a popularly elected government in Iraq, Mr. Pachachi said.

Delegates Vow Iraqis Won't Let Tyranny Return (WTimes)

By Betsy Pisik

The Washington Times, July 23, 2003

NEW YORK - Delegates from Iraq's new Governing Council told the U.N. Security Council yesterday that despite continuing insecurity and economic turmoil the Iraqi people were determined never again to accept a tyrant's rule.

"They have tasted freedom and would never return to the era of fear and injustice," said Adnan Pachachi, a former Iraqi foreign minister who serves on the U.S.-appointed 25-member Governing Council. "The state intelligence services and mandatory arrests and random executions are done for once and for all."

The three delegates, dispatched to New York in one of the council's first acts last week, also laid claim to the four-story town house that lodges Iraq's U.N. Mission, which still is occupied by a half-dozen appointees of ousted dictator Saddam Hussein.

Governing Council member Ahmed Chalabi, leader of the Iraqi National Congress, said he had discussed the mission's political and structural rehabilitation with the current charge d'affaires.

But the delegates said they felt no need for formal recognition from the Security Council as the official representatives of Iraq.

Participation in the U.N. council meeting yesterday was, by itself, "considered by the people of Iraq to be a recognition of the country's sovereignty," said Mr. Pachachi, who was accompanied by Mr. Chalabi and Aqila al-Hashemi, a diplomat who had served under the former regime and who is one of three women on the Iraqi council.

The delegates were welcomed by all members of the Security Council, except Syria and two protesters who shouted catcalls, helping to set the tone for the involvement of more countries in peacekeeping operations in Iraq.

The State Department said Monday that it would wait to see how the delegation was received at the headquarters of the United Nations in New York before deciding whether to seek a new Security Council resolution that would make it easier for France, Germany, India and other countries to contribute troops to stabilization efforts in Iraq.

The United States maintains that Resolution 1483, passed on May 22, provides adequate authority for countries wishing to send troops to help in Iraq, but acknowledges that several countries have asked for another resolution with a more explicit mandate.

"Once you start putting such a resolution down, there will be others that come along and say, 'Aha, but if you're going to ask for another resolution for a broader mandate, then the U.N. has more of a role to play than it does now,'" Secretary of State Colin L. Powell acknowledged yesterday in an interview with reporters and editors of The Washington Times in his State Department office.

"Let a debate begin on this subject," he said. "And I'm willing to participate in that debate if it achieves the purpose of getting more people involved.

"I would listen to the arguments, but I can't [say how much authority we would cede to the United Nations] because I don't know what the traffic would demand or the traffic will bear."

The members of the Governing Council were appointed this month by the U.S.-dominated occupation authority in Baghdad, which also holds a veto over the group's recommendations and decisions.

Many Iraqis have been dismissive of the body, saying its members are at best impotent and at worst collaborators with the authority.

Members of the Security Council yesterday pledged to support the Iraqi council, but France, Russia and several others insisted again that full sovereignty must be returned to the Iraqi people as quickly as possible.

"Our collective goal remains an early end to the military occupation through the formation of an internationally recognized, representative government," said U.N. Secretary-General Kofi Annan.

"It is vital that the Iraqi people should be able to see a clear timetable with a specific sequence of events leading to the full restoration of sovereignty as soon as possible."

Mr. Pachachi assured the world body that the Governing Council's "primary goal is to shorten the duration of the interim administration, to pave the way for a new constitution and a popularly elected government in Iraq."

Nearly every speaker yesterday lamented the deteriorating security situation in Iraq, which has been rocked by months of looting, sabotage, carjackings and an unprecedented wave of robberies and assaults.

Sergio Vieira de Mello, Mr. Annan's special representative in Iraq, appealed during a presentation to the Security Council yesterday for more nations to support the reconstitution of the Iraqi army and police forces.

Coalition Curbs Wild Iraqi Press (CSM)

By Ann Scott Tyson

The Christian Science Monitor, July 23, 2003

BAGHDAD - For the first time, coalition authorities in Iraq have shut down an Iraqi newspaper, charging that its publication of a July 13 article calling for "death to all ... who cooperate with the United States" and threatening to publish a list of collaborators' names was a dangerous violation of international law.

A special investigative unit of the Iraqi police on Monday sealed the offices in Baghdad of the semiweekly Arabic newspaper Al Mustaqilla and took into custody its office manager. The manager, whose name was not released, is undergoing questioning.

A search of the premises turned up blank Baath Party membership cards, a sign that the newspaper was "anything but independent," said Coalition Provisional Authority chief spokesperson Charles Heatly.

The case illustrates that despite the commitment of the US-led coalition to a free Iraqi press, there are lines that cannot be crossed. Coalition authorities have warned at least two other newspapers that their coverage was "inciteful to violence" and could prompt action, Heatly said.

New media explosion

More than 100 Iraqi newspapers have sprung up since the fall of the Saddam Hussein regime, when the press consisted of propaganda strictly controlled by the government. "Under Saddam, the papers were all lies," says one Iraqi student.

Today, all around Baghdad, newspaper vendors peddle a variety of colorful Arabic-language publications that cover everything from electricity shortages and crime to salaries.

While they expose the horrors of the previous regime, including the discovery of mass graves, they also criticize the American-led administration in Iraq.

But despite the sudden surge in the number of media outlets, some observers say the coalition authorities need to do more to reach average Iraqis.

The communication gap is also felt in the new US-appointed Iraqi political council.

"The problem is that in the face of hostile media outlets, you don't have national information systems for either the coalition or the governing council, so our message is lost," says Hoshiyar Zebary, political adviser to Masoud Barzani, leader of the Kurdistan Democratic Party and one of the 25 council members.

A recent report issued by the Center for Strategic and International Studies reinforced the message that the CPA needs to communicate more effectively.

The study, commissioned by Defense Secretary Donald Rumsfeld, said that "drastic changes must be made to immediately improve the daily flow of practical information to the Iraqi people."

Civil and military authorities say they frequently contact different Iraqi publications to correct what they consider inaccuracies in reporting.

Still, they stress that bias or rumormongering would not be cause to close down a publication.

An extreme case

The case of Al Mustaqilla, however, was egregious, they say.

On July 13, the newspaper printed on page 2 an article titled, "Death to all spies and those who cooperate with the United States; killing them is religious duty."

"Some people have left behind their patriotism, their homeland, and their honor; they have involved themselves in spying for the Zionists and the US occupation force," the article read. "Killing these people is a patriotic and religious duty."

The article further threatened to "publish a list, which names the individuals who are cooperating with the US occupation in order to make the people give their judgment against them."

After learning of the article, coalition authorities and the special investigative unit of the Iraqi police carried out an investigation of the newspaper's coverage, which culminated in the shutdown on Monday.

"This was too dangerous," Mr. Heatly said. "It was also a breach of international law in terms of the absolutely crystal-clear nature of the incitement to murder."

Iraqis who cooperate with the coalition authorities have already been targeted by anti-US guerrillas. Last week, the pro-US mayor of Hadithah was killed when his car was ambushed by attackers firing automatic rifles as he drove away from his office. One of his sons was also killed in the attack.

Earlier this month, in one of the most serious attacks against pro-coalition Iraqis, seven US-trained policemen were killed when a bomb exploded during their graduation ceremony.

US Shuttters Newspaper In Baghdad (WPost)

'Inciteful' Article Brings Raid And Detention of Editor

By Pamela Constable

The Washington Post, July 23, 2003

BAGHDAD -- A local newspaper has been shut down and its manager arrested because of an article that U.S. occupation authorities and Iraqi officials considered an incitement to violence and a threat to human rights in Iraq.

Iraqi police accompanied by U.S. troops raided the offices of Al-Mustaqila newspaper, which means The Independent in Arabic. Neighbors said troops broke down the front door, ransacked the office and detained the newspaper's manager, Abdul Sattar Shalan.

According to U.S. occupation authorities, the paper published an article 10 days ago titled, "Death to all spies and those who cooperate with the U.S.; killing them is religious duty." The headline closely echoed recent threats made by clandestine armed groups against U.S. forces and their Iraqi collaborators.

"The Coalitional Provisional Authority supports and encourages the development of a free and responsible Iraqi press," the occupation agency said in a statement today. But it said Al-Mustaqila "has chosen to threaten the basic human rights of Iraqi citizens" and published a "clearly inciteful article," putting it in violation of occupation press rules.

The U.S. authority has banned all Iraqi media from publishing or airing material it views as inciting political, religious or ethnic violence or promoting attacks on U.S. forces here. It has already shut down one Baghdad radio station and one Shiite Muslim newspaper in Najaf on these grounds.

In a report today, the Paris-based advocacy group Reporters Without Borders criticized the occupation press rules, saying U.S. authorities should ease their restrictions on the Iraqi media and develop more "liberal and democratic" regulations.

The Iraqi Governing Council, appointed earlier this month by U.S. officials, issued a statement today supporting the shutdown of Al-Mustaqila. It said the article in question was "inconsistent with all laws, religious principles and human rights," and that the right to press dissent should not extend to "calling for the shedding of others' blood."

Today, the two-story yellow building that housed Al-Mustaqila was locked and empty, and no copies of the newspaper could be found at any newsstand in downtown Baghdad. But several neighbors described Monday's armed raid in detail and said they were surprised because nothing about the newspaper or its staff had appeared out of the ordinary.

"Everything seemed normal. There was nothing suspicious. They reported on what was happening, including the attacks [on U.S. troops] in Fallujah," said Abdul Mohsin, 40, who manages a printing plant across the street. He said the police and U.S. troops turned the newspaper's office upside down and took some equipment.

Occupation authorities could not be reached for comment tonight. It was not immediately clear whether the article in question had been a news story or an editorial, and there was no information on the whereabouts of Al-Mustaqila's manager or whether any charges would be filed against him.

Several Iraqi newspaper journalists said they knew little about Al-Mustaqila but that they did not feel the U.S. authorities were interfering unduly in their own reporting. More than 50 newspapers and magazines have opened in the capital since the government of president Saddam Hussein was deposed.

"Every day the Americans send a representative with their news, and we are free to publish it or not," said Nadah Shauqat, an editor at Az-Zaman, the best-known Baghdad daily. "We are independent. We publish news and interviews about political groups, but we do not publish propaganda."

US To Set Up Iraq Bank (WPost)

The Washington Post, July 23, 2003

The U.S.-led occupation authority in Iraq invited international banks to help establish a trade finance institution in an effort to boost the country's economic growth by encouraging imports and exports. The authority, led by U.S. Ambassador L. Paul Bremer, set up the Trade Bank of Iraq because the commercial banking system is so damaged by postwar looting that it can't offer the more specialized services that trade finance requires, the authority said.

Jessica Lynch Returns Home Months After POW Ordeal (WSJournal / AP)

The Wall Street Journal/ Associated Press, July 23, 2003

ELIZABETH, W.Va. -- Former prisoner-of-war Jessica Lynch returned home to a flag-waving hero's welcome Tuesday, and in the Army private's first public words since her rescue said: "It's great to be home."

"I'd like to say thank you to everyone who helped and prayed for my return," said Pfc. Lynch, who was brought to the podium in a wheelchair wearing a beret and green Army dress uniform.

Pfc. Lynch received a standing ovation as she entered a media tent and made her brief remarks against the backdrop of a large American flag. Outside, friends and family waved flags and "Welcome Home Jessica" signs, while a marching band warmed up for a parade trumpeting Pfc. Lynch's return home.

The 20-year-old former POW said she did not realize for "a long time" that her ordeal had captured the hearts of millions around the globe. "But I'm beginning to understand because I've read thousands of cards and letters -- many of them from children -- that offer messages of hope and faith," she said.

Pfc. Lynch said she had read "thousands of stories" recounting that when she was rescued, she told U.S. Special Forces that she was an American soldier. "Those stories were right. Those were my words. I'm an American soldier, too," she said.

Pfc. Lynch's 507th Maintenance Company convoy was ambushed March 23 near the Iraqi city of Nasiriyah in an attack that killed 11 soldiers. U.S. forces rescued Pfc. Lynch at a Nasiriyah hospital April 1, while five other captured 507th soldiers, held apart from Pfc. Lynch, were released April 13.

Pfc. Lynch's rescue quickly made an American hero out of the petite blonde who joined the Army to get an education and become a kindergarten teacher.

"I'm proud to be a soldier in the Army. I'm proud to have served with the 507th. I'm happy that some soldiers I served with made it home alive. It hurts that some of my company didn't," Pfc. Lynch said.

Pfc. Lynch also said she was "thankful to several Iraqi citizens who helped save my life while I was in their hospital."

She said she missed Pfc. Lori Piastewa, 23 years old, who was her roommate, best friend and a member of the 507th. Pfc. Piastewa died of injuries suffered in the ambush.

"She fought beside me, and it was an honor to have served with her," Pfc. Lynch said.

Suffering from multiple broken bones and other injuries, she had arrived at Walter Reed in the nation's capital on April 12. Pfc. Lynch is able to walk with the aid of a walker but still has trouble standing.

She spent more than 100 days at Walter Reed before she was released Tuesday morning. She boarded a Black Hawk helicopter for the trip to Wirt County and arrived in Elizabeth at 1:56 p.m.

After her remarks, Lynch rode in a convertible in a military motorcade through Elizabeth and then to her hometown of Palestine, a community of about 300 about five miles away.

About 2,000 people lined the motorcade route along State Route 14 in hopes of catching a glimpse of Pfc. Lynch.

"We're here to see history," said Mary Elder, 52, of St. Marys.

Using 1,600 yards of donated lawn-chair material, town workers hung hundreds of yellow bows along the motorcade route from Elizabeth to Palestine, about five miles away. By midmorning, seven dozen people gathered along the route to welcome Pfc. Lynch home.

On Monday, Pfc. Lynch was awarded the Bronze Star, Purple Heart and Prisoner of War medals. The Bronze Star is given for meritorious combat service, a Purple Heart is most often awarded to those wounded in combat, and the POW for being held captive during wartime.

Thousands Greet Pfc Lynch On Her Return To West Virginia (NYTimes)

By JAMES DAO

The New York Times, July 23, 2003

ELIZABETH, W.Va., July 22 - Pfc. Jessica D. Lynch, whose ordeal as a wounded prisoner of war in Iraq made her a symbol of American bravery - and also stirred complaints of Pentagon media manipulation - returned to a hero's homecoming in this tiny Appalachian town today.

Private Lynch looked briefly stunned as she was wheeled before a bank of television cameras under a huge white tent here. But she seemed to gather strength and poise as she read a brief statement, giving most Americans the opportunity to hear her voice for the first time.

"I'm happy that some of the soldiers I served with made it home alive," said Private Lynch, 20, whose legs were badly fractured in a vehicle crash just before her capture in March. "It hurts that some of my company didn't."

Riding atop the back seat of a red Mustang convertible, her blonde hair tucked under her black Army beret, Private Lynch was then driven by state troopers through streets lined with hundreds of flag-waving residents to her family's home in nearby Palestine.

"She looked as good as the day she left for the war," said a neighbor, Adam Szabo, 36, moments after a smiling Private Lynch passed by. "I could never have gone through what she did. The fear she felt must have been incredible."

Private Lynch's capture and rescue has endured as one of the most riveting and controversial tales of the war in Iraq. A member of the 507th Maintenance Company, based at Fort Bliss, Tex., she was riding in a convoy that was ambushed near the southern Iraq city of Nasiriya on March 23. Eleven American soldiers died in the attack, and six others, including Private Lynch, were taken prisoner.

One week later, a team of American commandos rescued her from a hospital in what seemed at the time an extraordinarily daring raid.

In some initial accounts of her capture, unnamed Pentagon officials said Private Lynch had received gunshot and stab wounds and had fired her gun repeatedly at her attackers. Later, however, the Pentagon pulled back from those statements, saying that her wounds appeared to be from the crash of her Humvee and that her gun had probably jammed.

Some early accounts of her rescue also quoted Pentagon officials saying that the Special Operations Forces who rescued her came under fire during the raid. But Iraqis interviewed in Nasiriya said the commandoes had encountered no resistance.

Critics accused the Pentagon of embellishing her story, saying the Bush administration was trying to use Private Lynch to rally public support at a grim phase of the war, when the American-led march to Baghdad seemed stalled by unexpectedly stiff Iraqi resistance.

But the Pentagon has denied those accusations. And few people here seemed to care about the controversy.

"No matter what happened, she deserves every good thing she can get," Mr. Szabo, a chef at a local restaurant, said. "We just love her."

As an expression of that love, residents of Wirt County have donated money and energy to renovating her family's home, adding two bathrooms and two bedrooms, including one that can accommodate the wheelchair she is expected to need for months to come.

Today's event was carefully planned by the Lynch family with the assistance of state officials. Dozens of state workers were deployed for the past week to clean up the banks of the Little Kanawha River that flows through town, repair local roads and direct traffic for the incoming hordes of camera crews and well-wishers. They also insisted that television cameras not film her struggling to get off the military helicopter that flew her from Walter Reed Army Medical Center in Washington to Wirt County. And they ordered state troopers to prevent camera crews from filming Private Lynch outside her home.

Randy Coleman, a state official who has become the family's spokesman, said Private Lynch planned to focus on her physical rehabilitation program for the immediate future. She is also looking at colleges, possibly to pursue a career in teaching. Gov. Bob Wise has offered her free tuition to any state university in West Virginia.

And she has a boyfriend, officials said: Sgt. Ruben Contreras, who sat with her family today. "When I got down, you picked me up," Private Lynch said to Sergeant Contreras in her statement.

State officials said the family has not made any final decisions on the many book, movie or interview deals she has been offered. They said the family is working with a lawyer in Charleston to review some offers, but has yet to hire an agent.

The blandishments have been plentiful: Diane Sawyer of ABC News sent a locket with a picture of Private Lynch's home. And CBS News, in a move that prompted questions of journalistic propriety, spelled out the other offerings its parent company, Viacom, could provide in the realms of entertainment and book publishing.

Meanwhile, NBC is proceeding with its unauthorized movie about Private Lynch's experiences. NBC said yesterday that it expected to begin production of the movie next month and that revisions to the script have been constant as new details about Mr. Lynch's story have come to light. No date has been set for showing the movie, which is in part based on the experiences of Mohammed Odeh al-Rehaief, the Iraqi lawyer who alerted United States marines that Private Lynch was being held in an Iraqi hospital. NBC said it would continue to pursue story rights from Private Lynch, whose representatives have so far refused the requests.

It is unclear how much of her ordeal Private Lynch will be able to remember. Military officials have expressed doubts that she will recall any of it. But she recounted one vivid moment of her capture today.

"I've read stories that said when I was captured, I said, 'I'm an American soldier too,'" Private Lynch said. "Those stories were right. Those were my words. I'm an American soldier, too."

The homecoming was one of the biggest media events in recent years for West Virginia, and clearly the largest ever in Wirt County. The two-lane state highway through town was lined with dozens of satellite television trucks and visitors' cars, while Governor Wise drove up with an entourage from Charleston to serve as the master of ceremonies.

The fanfare brought out the commercial spirit of local business people. The local Burger Barn set up a street-side grill. The market hawked compact discs featuring songs about Private Lynch recorded by one of its employees. And a man wearing a black Vietnam veterans cap peddled America, P.O.W.-M.I.A. and Confederate flags on the street.

Only a few friends and family members, including Private Lynch's parents, were allowed inside the tent where she read her statement. Just beyond earshot of the loudspeakers, dozens of people craned their necks behind an orange fence to catch a glimpse of the soldier, or a snippet of her statement.

"She embodies the small-town image of the person who does the right thing," said one of those people, Virgene Robinson, who drove in this morning from nearby Marietta, Ohio. "She gives every small town resident something to cheer about."

Justice Still Unserved In Rebuilding (Marin Independent Journal)

Ex-Marin judge reflects on trip to overhaul judicial system

By Jennifer Upshaw

The Marin (CA) Independent Journal, July 22, 2003

Just days after returning from Iraq, former Marin Superior Court Judge Alvin Goldstein already wants to go back.

Goldstein, a San Rafael civil attorney, returned last week from a months-long mission to help overhaul Iraq's legal system.

He joined 24 other Americans, including federal public defender Barry Portman of Novato and former Fairfax police Chief James Anderson as paid advisers.

Thirteen members of the team, through the U.S. Department of Justice's Office of Overseas Prosecutorial Development, Assistance and Training, represented the judiciary in the mammoth task of poring through Iraqi legal code and adding on or implementing human rights standards based on a United Nations declaration.

"I have mixed feelings," Goldstein said of his return to his Loch Lomond-area home. "There's so much to do over there. Everything is in a state of incompleteness."

Members of the delegation reflecting on the experience said they have a sense of satisfaction, although the trip was not without its bureaucratic blips.

During the two-month stint, the group ended its stay by delivering a set of recommendations, but without a thorough review, he said.

"I have a feeling of incompleteness - we did not have the opportunity to critique the program, to review it and to make improvements," Goldstein said. Political tensions in Washington over the mission appear to be turning the effort from a U.S. Justice Department operation into a military one, he said.

"I don't know how this is going to shake out," he said. "There's a problem. The Defense Department and the Justice Department do not see eye to eye on what needs to be done there."

Last week, USA Today reported that senior U.S. District Court Judge Gilbert Merritt, a member of the delegation, was angered over a directive issued by the chief U.S. administrator, Paul Bremer. The directive, according to Merritt, said all contact

with the news media must be cleared by top coalition officials. Justice Department officials did not respond to a request for a comment.

Goldstein, holding a copy of the USA Today story, said that while he believed the headline - "Justice Dept. delegation to Iraq couldn't work or talk" - was off the mark, information in the story rung true.

Others who left earlier said they weren't aware of such a policy. While they never felt their speech was restricted, they felt remarks in Iraq were better left to the powers that be.

Novato's Portman said he never felt he couldn't speak to the press; he just chose not to until he returned home.

"I just feel, and this wasn't forced on me, when I'm on foreign soil the U.S. ambassador will do the talking for me," he said.

Portman said he had other things on his mind at the time.

The group was sent to assess the country's law and order system.

"The assumption was there would be a functioning legal system," he said. "There wasn't."

Civil rights, such as the right to counsel, the right to remain silent and the right to avoid self-incrimination, were lacking in a system rife with confessions obtained through torture and adjudicated by judges who were Baath party members, delegates said.

Many such privileges existed in the Iraqi code of criminal procedure but had not been put into practice during Saddam Hussein's reign, Goldstein said.

Permitting the use of confessions where torture was used was also in the code, Portman said, adding that Iraqi prosecutors filed complaints indicating that torture was used in 30 percent of the felony cases.

The group fanned out across the country in what Portman described as essentially "a down and dirty assessment of how bad it was and how to get it on its feet."

In some cases, carrying on frank conversations with judges surrounded by officers armed with M-16s was hard enough without arriving to interview judges and lawyers only to find the courthouse destroyed.

"The process was a lot more difficult than we thought," he said.

Judge Stephen Orlofsky, of the U.S. District Court of New Jersey in Camden, described the mission yesterday as "interesting, challenging and scary."

He visited five cities in south-central Iraq; four out of the five places he visited had been looted, he said.

"It's clear that there's a war still going on out there," said Orlofsky, who returned home in late June. "It was pretty tense."

Since their mission began, some of the recommendations made by the group have been implemented by the coalition administrator, Goldstein said. They appear to be more than symbolic, he added.

"I got an e-mail yesterday from one of our colleagues in the north telling me the judges are following the proclamations," he said Friday.

Goldstein said the group dispatched to fix the broken system was embraced.

"The enthusiasm our people were greeted with was really heartwarming and makes it all the more difficult that we're not there," he said.

Delegates said that if their recommendations become practice, justice will one day be served.

"I think that with proper mentoring we can get those courts up and running," Orlofsky said. "My personal view is we can turn this around if we can stay the course, but the jury is still out."

DOJ:

A Few Too Many Zeroes (WPost)

By Al Kamen

The Washington Post, July 23, 2003

Economist Michael Boskin, former chairman of the Bush I Council of Economic Advisers, has created quite a stir of late for finding a whopping \$12 trillion in federal taxes -- heretofore unnoticed or under-noticed -- that will be collected in coming years when the baby boomers retire and start drawing on their tax-deferred savings dollars.

Truly wonderful news. That would be more than enough to shore up Social Security and Medicare. What it means, as Rep. Jim Saxton (R-N.J.), vice chairman of the Joint Economic Committee, said in a recent release, is that the "unduly negative portrayals" of the doom-and-gloomers are hogwash.

Barron's first broke the news -- "The Social Security time bomb could very well prove to be a dud," it said -- on June 16. Business Week followed a week later with a cover item on the great discovery. "I'm not saying the whole \$12 trillion is left out of their [the Congressional Budget Office's long-term] calculation," Boskin told the Christian Science Monitor, "but a sizable piece of it is."

But, wouldn't you know it, just as we were waiting for more tax cut checks, we received this e-mail from Boskin last week. The analysis in his paper is fine, he writes, emphasizing that the paper was only a very preliminary draft.

"However, the part of the paper projecting the future contained a programming error that in turn resulted from a word-processing error which I should have but did not catch," he said. (This admission style is more popularly known as a full-frontal Tenet.) Something "was inadvertently dropped from the investment equation," he writes, and this led "to a considerable overstatement of future deferred taxes. I am in the process of correcting this problem, but as the preliminary draft, circulated for comment, has gotten into the public domain . . . I especially want to alert you" to the problem. "Please do not cite or quote anything from the original paper without explicit permission. I apologize for any inconvenience this may have caused you. The fault is entirely my own, not that of anyone who may have quoted the preliminary draft."

As Emily Litella used to say: "Never mind."

Battle of the Bench

Liberal groups are gearing up to fight the much-anticipated nomination of associate White House counsel Brett M. Kavanaugh -- a former Supreme Court clerk, partner in Kirkland & Ellis and brain-truster for special counsel Kenneth W. Starr -- to a seat on the U.S. appeals court here.

Though the nomination appears on track, and is likely to be officially announced soon, Kavanaugh has just switched jobs in the White House. He's now settling into his new job as White House staff secretary, replacing Harriet Miers, who moved up to deputy chief of staff. Unclear how long he'll be in that post, which, depending on who's in it, can be a simple paper-shuffler function or an important axis in the White House operation.

For Kavanaugh, a rising star 'mongst the conservatives, an appeals court seat might be seen as a waste of his equally formidable political and strategic talents. On the other hand, three years of law school usually convinces people that a job wearing a black robe is a big deal.

In the meantime, the thinking may be that these judicial confirmation battles take so long that Kavanaugh can just as easily spend his days as staff secretary than as associate counsel while the battle goes on.

Justice Lawyers Fly to Alston & Bird

Also on the legal front, Ralph F. Boyd Jr., outgoing assistant attorney general for civil rights, and Robert N. Driscoll, chief of staff of the civil rights division, are joining Atlanta-based Alston & Bird's law office in Washington. That's the firm that recently picked up former Senate majority leader Bob Dole (R-Kan.).

The nomination of Boyd's successor, Rene Acosta, who's on the National Labor Relations Board, is pending in the Senate.

On the Move . . .

Meanwhile, there's movement on the foreign affairs front. Secretary of State Colin L. Powell has chosen William and Mary professor Mitchell B. Reiss to head policy planning at Foggy Bottom.

Reiss is not, shall we say, a household name in the diplo arena, and his selection for such a key job -- previously held by foreign policy heavyweights Dennis Ross and Richard N. Haass -- raised eyebrows all around town.

Powell apparently got to know Reiss -- whose specialties are the Korean Peninsula and nonproliferation -- when Reiss was a young White House fellow working at the National Security Council.

And there are more signals that former ambassador to India Robert Blackwill is moving to the National Security Council to pick up one of the biggest and most volatile portfolios around. He's to be strategic counselor to national security adviser Condoleezza Rice and in charge of Iraq, Iran, India and Pakistan (this may not go down well with the folks in Islamabad) and Afghanistan.

Also at the NSC, Emilio Gonzalez, director of western hemispheric affairs, has moved to the law firm of Miami-based Tew Cardenas, to be senior managing director in the firm's governmental affairs practice group. Sloan Rappoport, senior policy adviser to Commerce Secretary Donald L. Evans, is joining the firm as a partner on Aug. 1.

CORPORATE SCANDALS:

Corporate Fraud War: 'High Marks' (AP)

The Associated Press, July 22, 2003

(AP) Bush administration officials gave themselves high marks Tuesday for combating corporate corruption a year after the White House formed a task force in response to the Enron collapse and other white-collar scandals.

"I hope we've seen the worst of it," Securities and Exchange Commission Chairman William Donaldson said after meeting with President Bush for a progress report. "From here on out, the country and the nation, the business community is well informed of the risks" of corporate fraud, Donaldson said.

The White House said its anti-fraud efforts had boosted investor confidence, and Donaldson suggested the administration deserved partial credit for a stock market rally in recent months.

"When you're talking about confidence in a regulatory agency, and in my case the SEC, I think that our actions speak pretty loudly in terms of what we've done," he said. "I think there's a building confidence that the cop is on the beat."

Bush's Corporate Fraud Task Force, with members from an array of federal departments, has taken part in almost all corporate fraud cases brought by federal prosecutors over the last year, according to the White House.

Prosecutors have won more than 250 corporate fraud convictions, charged 354 people with corporate crime and obtained fines, forfeiture and restitution worth more than \$85 million, the administration said.

"We are trying to react to this problem in a swift manner, and to conduct our investigations and prosecutions in a different way and not let them linger on," said Deputy Attorney General Larry Thompson. "And I do think that that sends a message of deterrence."

Yet no charges have yet been brought against former Enron chairman Kenneth Lay, a Bush friend and contributor, or former chief executive Jeffrey Skilling.

The energy trading company, which spiraled into bankruptcy in late 2001, was the first big corporate scandal in what became a stream of accounting failures including WorldCom, Global Crossing, Adelphia Communications and more.

Enron's longtime auditor, Arthur Andersen LLP, was convicted of obstruction of justice in June 2002 for destroying Enron audit documents. The accounting firm now exists only as a shell.

The highest-ranking Enron executive charged to date in the scandal is former chief financial officer Andrew Fastow, who faces nearly 100 criminal charges including fraud, money laundering, conspiracy and obstruction of justice. Fastow has pleaded innocent and is free on \$5 million bond as he awaits trial.

The government's first legal action against Lay and Skilling came last month when the Labor Department filed a civil lawsuit against the company and several former executives and directors, seeking to recover hundreds of millions of dollars in retirement money that Enron employees lost.

A federal judge's recent ruling showed that, in some instances, there is a conflict in trying to push cases of the Justice Department and Securities and Exchange Commission - the two leading players in the task force - simultaneously. The ruling by U.S. District Court Judge Inge Johnson regarding prosecution of HealthSouth, one of the biggest, newest cases of alleged accounting fraud, came amid the government's hot pursuit of the raft of business scandals that provoked public outrage.

Longtime rivals, the two agencies also have cooperated in recent years, and the corporate fraud team enshrines a stepped-up effort to work together.

Since late 2001, the SEC has been pushing what it calls "real-time" enforcement: bringing cases to resolution quickly rather than taking years to pursue them. The strategy gained impetus from last year's landmark legislation cracking down on corporate fraud, which expanded the SEC's civil powers. But some experts believe it may be making the SEC's already-delicate collaboration with the Justice Department more difficult, as reflected in the HealthSouth ruling.

Bush Administration Touts Corporate Crime Record (AFX)

AFX News/CBSMarketWatch, July 22, 2003

WASHINGTON, Jul 22, 2003 (AFX-Asia via COMTEX) -- The Bush administration touted its record of punishing CEOs and helping restore investor confidence at a White House press conference Tuesday, marking the one-year anniversary of President Bush's corporate fraud task force.

"I think the work of the corporate task force has gone a long way in helping to restore the confidence of Americans in their financial markets," said Deputy Attorney General Larry Thompson, who chairs the interagency task force.

White House press secretary Scott McClellan said President Bush is pleased by the task force's success.

From September 2002 through May 31, the Justice Department has obtained over 250 corporate fraud convictions or guilty pleas, including at least 25 former CEOs, the administration said.

Federal prosecutors have investigated over 320 potential corporate fraud matters, encompassing over 500 individuals and companies.

Over the last several months, the Justice Department has been most aggressive in its pursuit of reaching plea agreements with HealthSouth's former chief financial officers as well as senior executives in the accounting department at the Birmingham, Ala.-based operator of rehab centers.

HealthSouth is accused of faking \$2.5 billion in profits.

Notably missing from the Task Force's yearlong efforts are charges against Enron's former leaders Ken Lay and Jeffrey Skilling.

Former CFO Andrew Fastow and his wife Lea, along with others involved in Enron's failed broadband operations, have been indicted.

When asked about the Justice Department's pursuit of high-profile executives yet to be charged, Thompson said federal prosecutors are not taking a "lynch mob mentality" and intend only to bring cases that will be "sustainable in court."

One CEO on the Justice Department's wish list is HealthSouth's Richard Scrushy. A grand jury is investigating his connection to the alleged accounting fraud at the healthcare giant.

From Oct. 1 2002 through June 30, enforcement actions are up nearly 50 percent at the Securities and Exchange Commission over last year's same period.

SEC Chairman William Donaldson said there is a "building confidence out there that the cop is on the beat." He added that the CEOs at the roughly 15,000 U.S. public companies are honest.

The Task Force has also obtained restitution and fines from corporate fraud in excess of \$85 million, the administration said.

The group is comprised of the Justice Department, SEC, Commodity Futures Trading Commission, Federal Energy Regulatory Commission, Federal Communications Commission, and the U.S. Postal Inspection Service.

Feds Step Up Corporate Prosecutions (UPI)

United Press International, July 22, 2003

WASHINGTON, July 22 (UPI) -- According to the Justice Department, prosecutors have opened 200 investigations of corporations nationwide.

It's unknown how many of the probes will lead to charges against businesses, but legal experts predict that more companies than usual will be nailed in the coming months, USA Today reported.

"Clearly we're seeing a stepped-up effort to go after corporate offenders who traditionally got slaps on the wrist," said Sandra Jordan, a University of Pittsburgh law professor.

The campaign against corporate fraud has set off legal brawls between the Justice Department and defense attorneys, who accuse gung-ho prosecutors of overreaching when they charge businesses -- rather than people -- with crimes.

Robert Fiske, a partner at Davis Polk and Wardwell and a former prosecutor, said that an entire firm should not be punished when only a few people may have committed a crime.

"If prosecutors send individuals to jail, that's a far greater deterrent," he said.

Feds Boast of Corporate Fraud Crackdown (Reuters)

Reuters, July 22, 2003

WASHINGTON (Reuters) - U.S. officials on Tuesday trumpeted results of a year-old crackdown on corporate fraud, but declined to say if or when more top executives would be convicted in scandals such as the one that rocked Enron Corp. (ENRNQ.PK).

"One of the things we are steadfast on is that, while we are going to handle these investigations and prosecutions in a vigorous and aggressive manner, we're going to do so in a fair manner that's appropriate to our justice system," said Deputy Attorney General Larry Thompson, head of the inter-agency Corporate Fraud Task Force.

"I think we've made very good progress in all of our investigations. But we're not going to have what I would call a lynch-mob mentality with respect to any corporate executive," Thompson said in a White House press briefing.

More than a year after the White House formed the task force, Thompson said federal prosecutors have obtained more than 250 corporate fraud convictions or guilty pleas.

But few federal investigations of top executives in the most prominent scandals have reached a conclusion.

Samuel Waksal, former chief executive of ImClone Systems Inc. (IMCL.O), was convicted in June for tax evasion and insider trading, sentenced to 87 months in prison and ordered to pay more than \$4 million in fines and restitution. He has been under house arrest and was to report this week to a Pennsylvania prison.

Asked if charges stemming from other corporate scandals would be brought against top executives, Thompson said: "We're going to call them as we see them. We're only going to bring charges against individuals or organizations that are supported by the applicable facts. We're only going to bring cases that we believe can be sustainable. We're going to proceed as rapidly as we possibly can."

Securities and Exchange Commission Chairman William Donaldson said the SEC had filed 443 enforcement actions from Oct. 1, 2002 through June 30, 2003, with three months to go until the end of the federal fiscal year.

In fiscal 2002, the market-regulating SEC filed 598 enforcement actions; in fiscal 2001, 484; in fiscal 2000, 503.

"There's a building confidence out there that the cop is on the beat," Donaldson said at the briefing.

White House Praises Fraud Task Force (FT)

By Adrian Michaels

The Financial Times, July 22, 2003

The Bush administration on Tuesday said its corporate fraud "task force" was helping to restore investor confidence following the wave of corporate scandals at Enron, WorldCom and others.

Headed by Larry Thompson, deputy attorney-general, the task force is "helping to remove suspicion, doubt and uncertainty that pervaded the marketplace one year ago", the White House said on Tuesday.

"Investor confidence is returning and the public is recognising that the vast majority of corporate leaders are honest and ethical stewards of their shareholders and employees."

The one-year-old task force, and an increased enforcement effort by the Securities and Exchange Commission, have seen record numbers of white-collar wrongdoers pursued by the authorities.

"The task force has obtained over 250 corporate fraud convictions or guilty pleas, including guilty pleas or convictions of at least 25 former CEOs," Mr Thompson said. "The task force has, through its work and investigations and prosecutions, charged 354 defendants with some type of corporate fraud in connection with 169 cases."

There are more than 320 investigations pending, involving more than 500 individuals and companies.

In spite of the increased actions, the enforcement authorities are under fire because they have not yet charged some of the most senior figures at companies embroiled in the scandals.

Neither Ken Lay nor Jeffrey Skilling, formerly chairman and chief executive at Enron, has been accused of wrongdoing. Bernie Ebbers, the ex-chief executive of WorldCom, has not been charged.

Mr Thompson said on Tuesday: "We're only going to bring charges against individuals or organisations that are supported by the applicable facts and the law. We're only going to bring cases that we believe can be sustainable in a court of law."

He said the Department of Justice would not be spurred by public opinion alone. "We're not going to have what I would call a lynch mob mentality, with respect to any corporate executive." The SEC said that in its last fiscal year it had filed almost 50 per cent more financial fraud and reporting cases compared with the previous year.

Corporate Fraud Task Forces Says Its Restoring Confidence (Dow Jones)

By Alex Keto

Dow Jones Newswires, July 22, 2003

WASHINGTON -(Dow Jones)- A year after President George W. Bush created the Corporate Fraud Task Force, Deputy Attorney General Larry Thompson, who helps head the task force, credited it with helping to restore investor confidence in the soundness of U.S. businesses.

"I think the work of the Corporate Fraud Task Force has gone a long way to restoring the confidence of Americans in their financial markets," Thompson said Tuesday.

Thompson said the task force has obtained more than 250 convictions on fraud charges and 25 of these convictions included former chief executives.

The task force has investigated more than 320 potential fraud cases and obtained fines, restitution and forfeitures in excess of \$85 million, Thompson said.

Bush set up the Corporate Fraud Task Force a year ago in the wake of the corporate accounting scandals that brought down such big name companies as WorldCom and Enron.

Bill Donaldson, the chairman of the Securities and Exchange Commission (News - Websites), said he hoped the nation has seen the worst of the corporate accounting scandals but couldn't guarantee this.

"I hope we have seen the worst of it," Donaldson said. "I wouldn't say looking back over some of the things that have happened in the past that some things won't come to our attention."

He did say that the SEC, which received a boost in its budget to help it crack down on corporate fraud, now has the resources it needs to investigate possible criminal actions. Donaldson said he is adding 700 professionals to his staff and upgrading the technology the SEC uses.

Justice Dept Asks For OFHEO's Help On Freddie Mac (Dow Jones)

By Alex Keto

Dow Jones Newswires, July 22, 2003

WASHINGTON -(Dow Jones)- U.S. Deputy Attorney General Larry Thompson said Tuesday the Justice Department has asked the Office of Federal Housing Enterprise Oversight to join the Corporate Fraud Task Force to help look into the accounting practices of Freddie Mac.

Thompson said the OFHEO "will work with our prosecutors and investigators and the other regulatory agencies."

Last week, the Department of Justice announced that OFHEO was joining President George W. Bush's Corporate Fraud Task Force but didn't link the matter to the investigation of Freddie Mac.

OFHEO is an independent agency within the U.S. Department of Housing and Urban Development. It regulates the safety and soundness of Fannie Mae and Freddie Mac.

Freddie Mac Finance Chief In Admission (FT)

By Demetri Sevastopulo

The Financial Times, July 23, 2003

The chief financial officer of Freddie Mac, the mortgage finance giant, yesterday admitted the lender might have avoided financial scandal had it been under supervision of the Securities and Exchange Commission.

Martin Baumann said he had "no disagreement" with the conclusion by outside lawyers that SEC rules would not have allowed the disclosure practices undertaken by the lender in relation to transactions used to smooth its earnings. Freddie Mac is revising its earnings, which were understated by as much as \$4.5bn.

Testifying before the House energy and commerce committee, Mr Baumann was responding to criticism from Congressman Ed Markey, who has introduced legislation that would force Freddie Mac to register with the SEC.

Asked whether Freddie Mac should compensate shareholders who received lower returns because of understated income, Mr Baumann said the lender would have to answer to class-action lawsuits.

"We feel [shareholders] were misled in the past," said Mr Baumann. Demetri Sevastopulo, Washington

Freddie Mac Probe May Focus Much Of Blame On Ex-President (WSJournal)

By JOHN D. MCKINNON

The Wall Street Journal, July 23, 2003

WASHINGTON -- An internal investigation of accounting problems at Freddie Mac is likely to focus much of the blame on the mortgage company's longtime president while seeking to absolve other officials of any significant wrongdoing, according to two people familiar with its findings.

The report by former Securities and Exchange Commission lawyer James Doty is expected to be released this morning and discussed by Freddie Mac officials in a conference call.

Last month, Freddie Mac fired president David Glenn while the company was in the midst of an accounting restatement, after learning that some entries in his personal notebooks of meetings and other company matters had been altered while others were missing. The company also ousted chairman and Chief Executive Leland Brendsel, as well as Chief Financial Officer Vaughn Clarke.

The report will lay out much of the company's case for taking that extraordinary action, according to people familiar with it. The report could provide a roadmap for federal regulators and prosecutors probing for evidence of fraud or other wrongdoing at the government-chartered mortgage company. But the report isn't necessarily the last word, since investigators at the SEC, Justice Department and other agencies could decide to go further, or in different directions.

As for current Freddie Mac CEO Greg Parseghian, the report will conclude that he was involved in some of the questioned transactions, but relied on prior approval of the deals by company accountants. That could help appease investors concerned about current Freddie Mac executives' exposure. However, the company's federal overseer is looking closely at Mr. Parseghian's role, among others.

The report's most notable disclosures are expected to concern Mr. Glenn and a missing page or pages from his notebooks. People familiar with the report say it is expected to suggest that the missing entry concerned a September 2001 meeting that Mr. Glenn reportedly attended, at which Freddie Mac's accountants from Arthur Andersen LLP raised concerns about a huge financial transaction that the company then was using to funnel hundreds of millions of earnings into future years.

The swap-type maneuver, involving several billion dollars in total, had the effect of moving about \$400 million of operating earnings from 2001 into future years, according to two people familiar with the investigation. At the time of the meeting, the lengthy deal was still in progress, according to one of these people.

The report is expected to say Mr. Glenn's account is that after investigators requested his notebooks, he took home the missing page to review it and later lost it.

Ultimately, the Andersen accountants advised the company not to repeat the maneuver in the future, but didn't insist that existing deals be unwound, according to the people familiar with the report. It involved what were known at Freddie Mac as "linked swaps." Swaps are contracts in which two parties agree to trade cash flows -- for example, the fixed-interest return on \$100 million in exchange for the floating-interest return. They are used to hedge risks.

The deal was one of a number Freddie Mac conducted that had the effect of shifting company earnings into the future. During 2000 and 2001, Freddie Mac officials were worried that a combination of falling interest rates and new federal accounting standards would cause a gusher of earnings in the short run, but ultimately lead to earnings disappointments in the

future. Since the late 1990s, the SEC has been waging an enforcement campaign to crack down on improper earnings management.

The linked swaps are believed to be Freddie Mac's only earnings-shifting transactions that didn't have prior approval from Arthur Andersen, according to those familiar with the report. In part because accountants approved the other deals, the report is likely to conclude that other Freddie Mac executives don't face criminal culpability, said a person who read a draft of the report. A spokesman for Arthur Andersen has said the firm wouldn't have approved transactions done for the purpose of improper earnings management. A lawyer for Mr. Glenn, Thomas Vartanian, declined to comment.

The Freddie Mac report also is expected to conclude that the board as a whole didn't preapprove any of the questioned transactions. But it might suggest that the audit committee did preapprove some. It is less certain how the report will describe the board's level of knowledge about some of the deals, and the report is certain to criticize lax-accounting oversight at the company.

GSE Regulatory-Legislation Momentum Grows In US Congress (WSJournal)

By DAWN KOPECKI

The Wall Street Journal, July 23, 2003

WASHINGTON -- The momentum for a new regulator for U.S. government-sponsored enterprises Fannie Mae (FNM) and Freddie Mac (FRE) continues to build in Congress, as another lawmaker introduced late Monday a second bill in the House that would overhaul the Office of Federal Housing Enterprise Oversight.

The legislation, introduced by Rep. Ed Royce, R-Calif., would combine OFHEO with the agency that oversees the Federal Home Loan Bank System into a new bureau within the U.S. Treasury Department.

"The complexity of housing GSE's operations requires a world-class regulator with the stature and the resources necessary to understand the business models of the three entities," Royce said in a statement.

OFHEO has come under fire in recent weeks for failing to more aggressively correct lax accounting practices at Freddie Mac that have led to several federal investigations, shareholder lawsuits and a three-year reaudit of the company's financial statements.

Freddie Mac's new chief financial officer, Marty Baumann, is scheduled to testify Tuesday about the company's accounting problems at a hearing before the consumer protection subcommittee of the House Energy and Commerce Committee chaired by Rep. Cliff Stearns, R-Fla.

Royce's bill is similar to legislation being pushed by Rep. Richard Baker, R-La., which also would move oversight of the companies to Treasury.

Royce's bill, however, doesn't appear to give the new agency the same amount of regulatory power as Baker's legislation would. Baker chairs the House Financial Services subcommittee that oversees the secondary mortgage markets and would likely be the lead architect for the final bill in the House.

Baker's bill also wouldn't overhaul the Federal Housing Finance Board, although the lawmaker has promoted such a plan in the past and has recently said he would support it again if it had enough momentum to pass the House.

Royce's bill would still require HUD to set the companies' annual affordable housing goals. However, the agency would no longer police the companies' charter activities. That power would go to the new agency under the Treasury.

Neither lawmakers' bills would strip the companies' valuable exemptions from state and local income taxes, nor would they incorporate a separate bipartisan bill in the House that strips their exemptions from securities disclosure laws.

The idea of overhauling OFHEO, however, is gaining momentum in Congress. Sen. Chuck Hagel, R-Neb., announced plans at a hearing last week to introduce a bill in the Senate that would expand OFHEO's funding and strengthen its regulatory powers.

Senate Banking Chairman Richard Shelby, R-Ala., who is normally quiet on GSE issues, is even questioning whether Fannie and Freddie need a new regulator.

"Is OFHEO up to the task - considering the amount of money the GSE's are involved in and how important they are to the secondary mortgage markets, the economy, the housing markets and everything that goes with it?" Shelby asked.

Reps. Edward Markey, D-Mass., and Christopher Shays, R-Conn., hope to attach their disclosure bill to whatever regulatory legislation makes it through the House. Their legislation, which has about 20 cosponsors, would force the companies to pay fees to register their securities. But it would cap that amount at no more than 5% of the SEC's registration fee revenue in any given year. That would have come to roughly \$16.2 million in 2002, based on the \$324 million in fees the SEC collected that year.

The companies voluntarily agreed last July to register their common stock with the SEC. Fannie completed that task in March, but Freddie's reaudit has pushed their registration back for at least another year, company officials said.

The companies' voluntary equity registration will trigger some of the SEC's disclosure requirements, such as disclosing insider transactions and audited financial statements. But the companies' voluntary agreements don't apply to their debt, nor do they require Fannie or Freddie to pay registration fees, as would be required under the Shays-Markey bill.

However, a May study by the Congressional Budget Office found that registering Fannie and Freddie's debt wouldn't result in huge administrative fees for the companies since virtually everything can be processed electronically. Nor would Fannie and Freddie's debt registration prevent consumers from locking in mortgage rates, as the companies argued in the past, the CBO said.

The administration is scheduled to stake out its position on the issue in September when Treasury Secretary John Snow has agreed to testify before the House Financial Services Committee on the matter.

Fincl Services Roundtable Backs Shifting OFHEO To US Tsy (WSJournal)

By John Connor

The Wall Street Journal, July 23, 2003

WASHINGTON -- The Financial Services Roundtable backed shifting the financial safety and soundness regulator of Fannie Mae (FNM) and Freddie Mac (FRE) into the U.S. Treasury Department.

In a letter to Treasury Secretary John Snow, Roundtable President and Chief Executive Steve Bartlett said, "We believe that the Treasury Department is the most appropriate cabinet agency in which to place OFHEO" - the Office of Federal Housing Enterprise Oversight.

OFHEO is an "independent agency" located within the Department of Housing and Urban Development. It is responsible for overseeing the financial safety and soundness regulation of Fannie Mae and Freddie Mac, both government-sponsored enterprises charged with assisting housing. The firms' mission regulation is handled by HUD proper.

"Treasury has general authority over the state of the economy and our nation's financial markets, and the operations of the enterprises have reached a level where their role and financial stability is of importance not only to financial markets but also to our economy as a whole," Bartlett said in a statement Tuesday.

The Financial Services Roundtable represents 100 of the integrated financial services companies providing banking, insurance, investment products and services to consumers.

The Senate Banking Committee is scheduled to hold a hearing Tuesday afternoon on President George W. Bush's nomination of Mark Brickell to be the director of OFHEO.

US-Securities Funds May Get Limits On What They Can Hold (WSJournal)

By JUDITH BURNS

The Wall Street Journal, July 23, 2003

WASHINGTON -- Mutual funds that describe themselves as investing in government securities would have to hold at least 80% of their assets in securities issued or backed by the U.S. government under a proposal Rep. Christopher Shays (R., Conn.) plans to offer this week.

Mortgage companies Fannie Mae and Freddie Mac would be hurt by the proposal, which Mr. Shays is expected to offer when the House Financial Services Committee considers a mutual-fund disclosure bill later this week. Adoption of the proposal is far from a sure thing because Fannie Mae and Freddie Mac have powerful friends on Capitol Hill.

The proposal follows a recent article in The Wall Street Journal pointing out that, unknown to many investors, Fannie Mae and Freddie Mac debt securities often constitute the majority of holdings in bond mutual-fund portfolios with "government" or "federal" in their names.

A U.S. Treasury official also issued a warning last year on including Fannie Mae and Freddie Mac debt in mutual funds that market themselves as investing in "federal government" or "U.S. securities."

Many mutual funds in the U.S. government category are loaded with securities that aren't backed by the U.S. government, then-Treasury Assistant Secretary Sheila Bair wrote in a letter June 4, 2002, to Securities and Exchange Commission officials.

Ms. Bair cited one "U.S. Government" money fund that has 90% of its portfolio invested in government-sponsored enterprises as evidence of the problem.

"Investors may find this naming convention confusing and in some case, the disclosures provided by the fund may not clearly describe the risk associated with the security," Ms. Bair wrote.

Mutual-fund investors may not understand that although Fannie Mae and Freddie Mac are government-sponsored enterprises, their debt isn't guaranteed by the U.S. government, Ms. Bair said.

"These may well be suitable investments for some retail investors," Ms. Bair added. But she said Treasury officials think mutual-fund marketing should distinguish between securities issued by the government and those issued by a government-sponsored enterprise.

As drafted, the Shays amendment would require the SEC to adopt rules within nine months that prohibit mutual funds from using words such as "federal" and "government" in their name unless at least 80% of their portfolio is held in securities issued or directly backed by the U.S. government.

Janice Daue, a spokeswoman for Fannie Mae, said "this is really an issue for mutual funds, the SEC and Congress." She added: "As an SEC registrant, Fannie Mae is in favor of transparency and disclosure, which is why, as required by law, our prospectus clearly states on the cover that our securities are not guaranteed by the government."

Officials at Freddie Mac didn't have any comment.

Federal Housing Nominee Criticized (WPost)

By Kathleen Day and David Hilzenrath

The Washington Post, July 23, 2003

The Senate Banking Committee's top Democrat yesterday criticized the White House nominee to be top overseer of home mortgage financiers Fannie Mae and Freddie Mac, saying his years lobbying against government regulation of the financial services industry may make him unfit for the post.

Sen. Paul S. Sarbanes (D-Md.) said Mark C. Brickell "led lobbying efforts to prevent regulation of derivatives, the arcane financial instruments that are critical to the risk-management operations" of both companies, which buy home loans from banks and other lenders and package them into securities. He noted that "questionable accounting for derivatives is at the heart of the recent troubles at Freddie Mac."

The hearing took place as an independent lawyer for Freddie Mac's board was preparing to release, as soon as today, a final draft of his report on what led to the improper accounting practices that will require a correction of reported earnings for the past three years.

A source familiar with the report from lawyer James R. Doty said it will focus largely on the actions of ousted executives of the McLean-based company, particularly former president David Glenn, but not on the board of directors. However, sources familiar with the investigation said another report by the regulatory agency Brickell has been nominated to lead -- due out in several weeks and based on the same evidence -- could reach a different conclusion.

Brickell told the committee that his past positions on issues would not prevent him from upholding the law, being an effective regulator and ensuring "that Fannie Mae and Freddie Mac operate safely and soundly."

"If I am confirmed I will vigorously enforce the rules and regulations of OFHEO to the full extent of the authority which Congress entrusts in the director of OFHEO," he said, referring to the Office of Federal Housing Enterprise Oversight.

Sarbanes fell short of saying he would oppose Brickell to head the office, which has been criticized for lax oversight of the two housing finance firms. Critics say regulation of Freddie and Fannie should be moved to the Treasury Department from the Department of Housing and Urban Development.

"There is certainly an aura about all of this of the fox guarding the henhouse," Sarbanes said after the hearing.

Freddie Mac and Fannie Mae were created by Congress and they retain ties to the government that save them millions of dollars a year in taxes and borrowing costs. They are publicly traded and are two of the largest financial institutions in the world.

In a related hearing across the Capitol, a House subcommittee heard criticism of the two companies' use of derivatives.

Peter J. Wallison of the American Enterprise Institute, a former banking lawyer and Treasury Department official during the Reagan administration, said accounting rules can be applied in so many different ways that better financial disclosures or regulatory oversight will not protect the public against potential problems at Fannie and Freddie.

If problems develop and go unnoticed at the two companies, they could do more damage to the economy than the savings and loan crisis that cost taxpayers tens of billions of dollars, he said.

Wallison said the companies provide little benefit to home buyers compared with the financial risks they pose to the economy. Much of the financial advantage the companies derive from their relationship with the government goes to their investors and management, he said. To reduce the risk, they should be privatized or prohibited from investing in their own mortgage-backed securities, he told the House Energy and Commerce subcommittee on commerce, trade and consumer protection.

Freddie Mac Chief Financial Officer Martin F. Baumann disagreed, saying the government's charter of Freddie and Fannie was "one of the truly enormous success stories" and had helped home ownership in an otherwise dour economy.

Rep. Edward J. Markey (D-Mass.) said that as he interpreted a recent Freddie Mac news release, the company knowingly used reserves "to manipulate or manage earnings," and he asked how the company could conclude that its actions did not require disclosure.

"I can't explain that, but that's what the company appears to have done in the past according to board counsel," said Baumann, who joined Freddie Mac in April. "With respect to the accounting errors, Freddie Mac didn't have the right accounting expertise in place to get the accounting right with certain accounting standards."

Unlike other companies that have been forced to correct their books, Freddie Mac understated its past earnings. The corrections could reduce future earnings.

Markey noted that Freddie Mac has estimated the size of its accounting errors to be \$1.5 billion to \$4.5 billion. "It's almost a scary level of uncertainty," Markey said.

"I agree, it's a very large number," Baumann said.

WorldCom Director Assails Firm's Critics (WPost)

Destruction Sought, Katzenbach Says

By Christopher Stern

The Washington Post, July 23, 2003

WorldCom Inc. board member Nicholas deB. Katzenbach told a Senate panel yesterday that ongoing criticism of the company is an attempt by competitors to use the political process to drive the scandal-plagued company out of business.

Katzenbach, a former U.S. attorney general who was named to WorldCom's board after the telecommunications company revealed its accounting scandal, also said the company has distanced itself from senior executives under whom the scandal occurred.

The Senate Judiciary Committee held the hearing to look into claims by competitors that WorldCom is using the bankruptcy process to strengthen its balance sheet while evading accountability for its improper bookkeeping.

Verizon Communications Inc. General Counsel William P. Barr, who also testified at yesterday's hearing, said the federal government has done little to punish WorldCom for its fraud. Barr said a Security and Exchange Commission's settlement with WorldCom that requires the company to pay \$750 million in cash and stock is inadequate given the scope of the wrongdoing at the company.

Barr was critical of the SEC for reaching a settlement before the company issued audited financial statements. In addition, Richard L. Thornburgh, who was appointed as a corporate examiner by the bankruptcy court, is in the midst of preparing his third and final report on the company. WorldCom plans to operate under the name of its long-distance subsidiary MCI after it follows through on its reorganization plan.

"In my view, the SEC stumbled all over itself to meet the MCI timeline," Barr said yesterday.

If U.S. Bankruptcy Court Judge Arthur J. Gonzalez approves the SEC settlement within the next month, it will put WorldCom on track to exit bankruptcy as early as October.

Barr called on the government to force WorldCom to give up all of its gains from the fraud. Although Barr denied claims that Verizon was trying to force WorldCom out of business, such a payment -- Barr estimated the gains in excess of \$18 billion -- would almost certainly force WorldCom to liquidate, Katzenbach said.

"I do think they see this as a way to inflict more pain on the company and if they can, force its demise," Katzenbach said.

During a three-year period beginning in 1999, WorldCom improperly booked about \$11 billion, according to company estimates. Much of the improper accounting stems from a scheme to claim regular expenses as capital investments. The arrangement allowed WorldCom to appear profitable during a period when it was losing money.

3 Rent-Way Executives Plead Guilty (WPost)

SEC Says Firm Inflated Profit Estimates to Analysts to Prop Up Stock Price

By Charles Duhigg

The Washington Post, July 23, 2003

In 1998, Rent-Way Inc. could no longer sustain the unrealistic earnings estimates that Jeffrey A. Conway, its chief financial officer, was giving to Wall Street analysts. The Erie, Pa., company had recently doubled its size to 1,100 stores and become one of the largest "rent-to-own" retailers in the nation. The company's stock price had increased more than 200 percent since it went public in 1993.

So Conway instructed the company's controller, Matthew J. Marini, to "do whatever needed to be done to meet the Company's earnings targets, but not to disclose" to him what steps were taken so that Conway could maintain "plausible deniability," according to a Securities and Exchange Commission complaint.

Marini then conducted "greaseboard sessions" in which the accounting staff was asked to make false entries. In 1999, Conway and Marini were promoted, and the company's stock continued a climb that would eventually peak at more \$30 a share.

But in 2000, after employees approached company officials and an internal investigation revealed the deception, the company's chief executive, William E. Morgenstern, approached the SEC.

A reckoning came yesterday when Conway, Marini and former senior vice president Jeffrey K. Underwood pleaded guilty in federal court in Erie to charges stemming from the falsification of Rent-Way's accounting records. Sentencing was scheduled for Nov. 6.

The SEC also announced a settlement with the three former executives that permanently bars Conway and Marini from serving as officers or directors of public companies. Conway will pay \$359,417 in penalties. The former executives neither admitted nor denied wrongdoing.

"This case sends a message that those who try to insulate themselves cannot do so just by ordering others to do the dirty work," said Mark Schonfeld, an SEC associate regional director.

The SEC said Rent-Way improperly accounted for more than \$95 million in 1999 and 2000. The company was forced to reduce its reported earnings in 2001 by \$127 million for the previous three years.

Conway's lawyer released a statement in which Conway "regrets what occurred three years ago at Rent-Way." Marini, reached by phone at his home, refused to comment. Calls to Underwood's lawyer were not returned.

Company officials refused to comment directly on yesterday's pleas. They issued a press release saying they "are pleased that the investigation has been completed and believe the final results are consistent with our internal investigation."

After alerting the SEC to the accounting fraud, company executives cooperated with the government's investigation. The decision to cooperate "was a major factor in the decision not to charge the company with criminal fraud" or seek fines against the company, said Mary Beth Buchanan, the U.S. attorney in Pittsburgh.

The company's cooperation has done little to appease stockholders, who are still angry about what the fraud did to Rent-Way's share price, which fell 78 percent, to \$5 per share, the day after details of the investigation were announced. Three years later, it has not recovered.

A class-action lawsuit by shareholders against the company was filed in 2000. The suit has been "settled in principal" for \$25 million, said Rob Ferris, a company spokesman.

The irregularities that Marini oversaw have been corrected, company officials said. But the consequences of the improper accounting reverberated through the company's financial structure, increasing borrowing costs and distracting management from day-to-day operations, said Mike Gallo, an analyst who follows Rent-Way for C.L. King and Associates of New York.

Today, Rent-Way operates only 753 stores in 33 states, including Maryland and Virginia, specializing in furniture, appliances and electronics. The company's stock closed yesterday at \$4.65 a share. The company sold 295 stores to a competitor in February, and in May issued senior secured debt of \$205 million paying interest close to 12 percent, indicating that investors still demand high interest from the company even when national interest rates are at record lows.

Morgenstern has remained chief executive and chairman throughout the investigation but the company may not recover until he leaves, Gallo said. "When you're CEO and something like that happens, ultimately you're responsible whether you knew or not," he said.

Former Rent-Way Executives Plead Guilty (AP)

By Charles Sheehan

The Associated Press, July 22, 2003

PITTSBURGH (AP) - Three former executives of Rent-Way Inc., the nation's second largest rent-to-own company, pleaded guilty Tuesday to doctoring reports filed with the Securities and Exchange Commission, federal prosecutors said.

The Erie-based company underreported operating expenses by \$60 million in 2000 an effort to meet earnings expectations, according to an SEC complaint also filed Tuesday.

Rent-Way misstated income and earnings per share in quarterly reports in 1999 and 2000, and an annual report in 1999, U.S. Attorney Mary Beth Buchanan said. The three men were asked to resign when the company released its fourth-quarter earnings report eight months late in 2001.

Jeffrey Conway, 45, former president and chief financial officer, pleaded guilty to conspiracy to falsify Rent-Way's books and records and to "circumvent Rent-Way's internal controls."

Matthew Marini, 38, former controller and chief accounting officer, pleaded guilty to securities fraud. Jeffrey Underwood, 47, former senior vice president, pleaded guilty to falsifying books, records and accounts.

The SEC complaint also names the three men as defendants.

The company had not had time to review the SEC filing and could not comment, said spokesman Robert Ferris.

"Executives who lie on company financial statements to manipulate earnings, and circumvent the internal accounting controls of the companies they lead, will be prosecuted to the fullest extend of the law," Buchanan said.

None of the men, who entered their pleas in federal court Tuesday morning in Erie, could immediately be located for comment.

Conway could receive a maximum sentence of five years in prison and a fine of \$250,000, or both. Marini and Underwood could each receive a maximum sentence of 10 years in prison and a \$1 million fine, or both.

Former Rite Aid Lawyer to Stand Trial (AP)

By Mark Scolforo

The Associated Press, July 22, 2003

HARRISBURG, Pa. (AP) - Rite Aid Corp.'s former chief counsel has decided to stand trial on 35 criminal counts stemming from his alleged role in an accounting scandal at the nation's No. 3 drugstore chain.

After meeting with lawyers in the case Tuesday, U.S. District Judge Sylvia Rambo tentatively scheduled jury selection to begin Sept. 22 for Franklin C. Brown, but warned that a scheduling conflict could delay that date.

Brown, 75, the company's former chief counsel and board vice chairman, was indicted by a federal grand jury last June for allegedly conspiring with other executives to falsely inflate the company's value and then interfere with federal investigators. He has pleaded innocent.

Brown was scheduled for trial last month, but a series of guilty pleas by co-defendants delayed those proceedings, leading the judge to dismiss the 18 jurors who had been preselected.

Rambo gave Brown until July 14 to decide whether he wanted to change his plea or go to trial. Three days before that deadline, she announced she would conduct Tuesday's closed conference.

Five other former Rite Aid executive have pleaded guilty to federal charges in the Rite Aid scandal: former chairman and chief executive Martin L. Grass, former chief financial officer Franklyn M. Bergonzi, former chief executive Timothy J. Noonan, former vice president for pharmacy purchasing Eric S. Sorkin, and former vice president of store development Philip Markovitz.

Financial irregularities that took place while those men led Rite Aid in the late 1990s forced the Camp Hill, Pa.-based company to restate \$1.6 billion in net earnings in July 2000.

Rite Aid shares fell a penny Tuesday to close at \$4.50 each on the New York Stock Exchange.

Long-Term Capital Case Puts Tax Shelters On Trial (WPost)

By Ben White

The Washington Post, July 23, 2003

NEW YORK, July 22 -- Testimony concluded today in a closely watched trial that shows how difficult it is for the federal government to rein in corporate tax shelters.

Justice Department lawyers, in a case being heard in U.S. District Court in New Haven, Conn., are seeking \$75 million in taxes, penalties and interest from Long-Term Capital Management L.P., the huge investment fund that nearly went bust in 1998 and required a \$3.6 billion Wall Street bailout. The tax case centers on the previous year, however, when the fund carried out a series of coordinated, complex transactions that resulted in a total of \$106 million in tax deductions.

When the government goes up against corporate America in tax-shelter cases, it faces a bevy of high-priced lawyers, investment bankers and accountants who attempt to explain why the tax shelters they devised serve legitimate business purposes and are, therefore, not abusive to the tax laws. In the Long-Term Capital Management case, government tax lawyers Charles P. Hurley and Nicole Bielawski had to contend not only with the regular lineup of sharp minds, but also with two Nobel Prize-winning economists, Myron S. Scholes and Robert C. Merton, and the famous bond trader John W. Meriwether, all of whom were founding partners of the investment fund.

To help bolster its case, the government called to testify a Nobel Prize-winning economist of its own, Joseph E. Stiglitz, a professor at Columbia University who was chairman of the White House Council of Economic Advisers in the Clinton administration.

U.S. District Judge Janet Bond Arterton's ruling in the case, which may not come for several weeks, will be important to the government's crusade against what it considers to be abusive corporate and individual tax shelters.

It's unclear how much money the government loses to shelters. The Senate Finance Committee has estimated the loss at \$10 billion to \$14 billion a year. Many experts believe it is more than that.

Government officials could not say how much money was recovered by the government in tax-shelter settlements or courtroom victories in recent years. Several academic experts who follow tax-shelter cases say such figures have not been tabulated.

IRS spokesman Don Roberts referred to the number of cases in progress.

Roberts said that since the beginning of 2002, the IRS has completed 207 tax-shelter examinations. He said more than 3,850 are either in progress or scheduled. In the IRS's large and mid-size corporations division, 129 people are working on cases involving the "promoters" of tax shelters -- mostly investment bankers, lawyers and accountants. The IRS counsel's office has 72 more people working on tax shelters and 268 summonses have been issued to promoters to secure lists of tax-shelter investors.

On the New Haven courthouse steps one recent afternoon, Hurley declined to comment on where his case fits in the overall war on shelters. "I'm not sure how much coordination there is, given how much the leadership always changes," he joked. "All I know is they told me I better win this thing."

The bar for the government is high. It will not have "won," tax lawyers said, unless the government recovers both the tax and penalties.

There is little reason for individuals and business not to go to great lengths to wipe out taxes, lawyers said. The worst thing that generally happens is a settlement with the IRS for a portion of the contested tax, or a courtroom loss requiring full repayment but no penalties. Taxpayers can usually avoid penalties if they demonstrate that they relied on sound legal advice that a tax shelter was legitimate.

In the current case, the government has argued that because the Long-Term Capital partners were so sophisticated, they should have known that the deductions would be disallowed. The government has also argued that Long-Term Capital relied on opinions from two law firms that would benefit from the transactions and, therefore, had clear conflicts of interest. The question of whether the partners of Long-Term Capital should have known better created one of the more colorful moments in a mostly dry legal proceeding. At the outset of his cross-examination, Hurley, the lead Justice Department lawyer, sought to portray Scholes as a tax expert.

"Am I correct that yesterday you described yourself as a lay person in regard to taxes?" Hurley asked.

"No, if I remember correctly, I said I was not an expert in regard to taxes," Scholes replied.

Hurley then picked up a fat book.

"Okay," he said. "You did, in fact, write this book, though, 'Taxes and Corporate Strategy'? . . . And am I correct that you used this book as a textbook for courses that you taught at Stanford?"

"That is correct."

Scholes repeatedly said he relied on the advice of two law firms to determine whether the tax deductions would be approved by the IRS.

The transactions, designed by San Francisco investment banking firm Babcock & Brown, worked roughly this way:

Three British investors, not subject to U.S. taxes, inserted themselves into a series of leasing transactions with, among other companies, General Electric Capital Computer Leasing. The transactions, commonly known as "lease stripping," produced about \$375 million in tax deductions. The British investors could not use the deductions themselves, so they transferred them to several American investors in return for preferred shares of stock, which supposedly were worth \$375 million.

The British investors contributed the preferred shares to Long-Term Capital in exchange for a stake in the fund. Long-Term Capital later sold the shares and claimed a loss of \$371 million.

On its 1997 tax return, Long-Term Capital applied \$106 million of that loss to offset capital gains. The IRS disallowed the loss, saying the value of the preferred stock sold by Long Term Capital was artificially inflated.

Long-Term Capital sued in 2001, putting the \$40 million in contested taxes on deposit. If it had simply refused to pay, the case would have been heard in federal tax court in Washington, which is considered friendly to the government and hostile to taxpayers.

During his cross-examination, Scholes repeatedly asserted that all parties to the series of transactions took risks and had real expectations of profit. The government, supported by Stiglitz and other experts, argued that the transactions were financial gymnastics with no true business purpose.

"You don't think getting \$100 million in tax deductions for something you paid \$1 million for is a tax shelter?" Hurley said to Scholes with a sneer last week.

Scholes, who generally responded to simple yes-or-no questions with long, discursive answers, demurred.

"I prefer not to get into definitions like that," he said. "It was a mitigation of taxes."

States' Role In Doubt On Wall Street (WPost)

House to Vote Soon on Bill to Affirm Ultimate Power of SEC

By Brooke A. Masters

The Washington Post, July 23, 2003

State securities regulators are bracing for a showdown in the next couple of days with congressional Republicans and the securities industry over a bill that would limit the role of states in investigations of major Wall Street firms.

The House Financial Services Committee had been scheduled to vote today on the measure, but that may be delayed until at least tomorrow. Industry sources said national and state regulators were trying to work out a compromise, but it was unclear last night whether an agreement could be reached.

The provision, which was added by Rep. Richard H. Baker (R-La.) as an amendment to the bill less than 24 hours before a subcommittee vote this month, is similar to language pushed unsuccessfully by several major investment banks last year.

When New York state Attorney General Eliot L. Spitzer -- who embarrassed industry and national regulators with his investigation into tainted research at major investment houses -- and regulators from other states discovered Baker's move, they were outraged.

Federal law prohibits states from enacting laws to regulate the structure of and reporting requirements for securities brokers and dealers. Baker's provision would go one step further by barring states from using settlements or court judgments to force structural changes in the securities industry. The bill would also specifically prohibit states from forcing securities companies to disclose more information than required by federal rules. It also would bar states from setting conflict-of-interest rules.

The purpose of the provision "is to clarify that rulemaking for national markets is best done when states consult" with the Securities and Exchange Commission, said Baker's spokesman, Michael DiResto.

"What the bill actually does is strengthen the SEC and make it clear that the SEC is the primary regulator. The commission is the only regulator with a bird's-eye view," said Peggy Peterson, spokeswoman for Financial Services Committee Chairman Michael G. Oxley (R-Ohio).

Some academics say the bill would go further. "It would stand in the way of states reacting to a new abuse by saying, 'We want you to disclose these facts,'" said Columbia University law professor John C. Coffee. In his investigation, Spitzer insisted that Wall Street firms disclose private e-mail in which analysts criticized companies whose stocks they were publicly recommending.

Coffee said banks might even be able to use the provision to fight state subpoenas for information. "They can go to court and ask a judge to quash [a state regulator's] subpoena and say he has no jurisdiction because he's seeking a new disclosure," Coffee said.

The bill also could put new limits on state fraud investigations, academics and state regulators said, because it appears to require state fraud laws to be consistent with the federal definition of fraud. In some states, such as New York, fraud laws are broader than federal statutes.

States "are not going to be able to bring any fraud actions that are based on state prohibitions that are broader than the federal exchange act," said New York Law School professor Jeffrey J. Haas.

The bill could also limit the kinds of remedies states can seek. For example, it would prevent states from requiring additional inspections, according to the North American Securities Administrators Association.

"This is a dramatic and unjustified shift in jurisdiction," Spitzer said in an interview today. "The only way it could become law is in the stealth of night."

The major investment banks disclaim responsibility for the language this time. But their lobbyists say privately that the bill would help them fend off more investigations by Spitzer and other regulators from other states. Once Baker introduced his amendment, the Securities Industry Association, a trade group, jumped on board.

An industry official who asked not to be identified said the Baker bill would prevent state officials from harassing the industry: "If you bring a fraud case, you would have to prove fraud, not something fraud-like."

An SEC spokesman today declined to comment on the bill. Last week, Chairman William H. Donaldson said that while "the SEC is empowered, in fact encouraged, to work with state regulators . . . when it gets down to, this is the way we're going to structure [the industry], the SEC must be the final authority."

The showdown over the role of state regulators in fighting Wall Street corruption comes as federal officials are highlighting their efforts to root out corporate crime. In the past year, the Justice Department has charged 354 defendants and there are 320 investigations pending, Deputy Attorney General Larry Thompson said at a White House briefing yesterday. The SEC filed 443 enforcement actions between October 2002 and July 1, Donaldson said.

Wall Street And The States (WPost)

Editorial

The Washington Post, July 23, 2003

Anyone who's watched the scandals that engulfed Wall Street over the past few years understands the importance of the role played by state officials in going after corporate wrongdoing. While the Securities and Exchange Commission snoozed, New York state Attorney General Eliot L. Spitzer led the way in cracking down on firms whose stock analysts simultaneously evaluated companies for investors and milked them for investment banking business. The \$1.4 billion settlement obtained by state and federal regulators (who belatedly joined Mr. Spitzer's push) imposes important -- and overdue -- rules aimed at preventing such conflicts. That's why we're concerned that a measure due to come today before the House Financial Services Committee would severely restrict the states' power to undertake such corrective action.

The measure, promoted by Rep. Richard H. Baker (R-La.), would not block state officials such as Mr. Spitzer from prosecuting firms that engage in fraudulent conduct. But it would remove an important arrow from the state quiver, barring state officials from imposing disclosure, conflict-of-interest or reporting requirements different from those established by the Securities and Exchange Commission or self-regulatory organizations such as stock exchanges. "It would have made it impossible to accomplish what we accomplished on Wall Street in the last two years," Mr. Spitzer says.

SEC Chairman William H. Donaldson, who supports the Baker measure, argues that while states have a legitimate role, they go too far "if the solution is beyond a financial fine . . . and it gets into the structure of the markets." For his part, Mr. Baker says he is seeking to shield firms from having to comply with myriad regulatory regimes and to make sure that a single state regulator doesn't set national policy. But there's ample room for more than one cop on this beat -- the recent problems in the securities markets have involved the absence of adequate enforcement, not the burden of too much regulation. And whatever the right balance may be between the SEC and the states, diminishing state officials' power in favor of such self-interested parties as stock exchanges is the wrong way to go, at the wrong time.

NYSE Seeks End To Trader Case; Firms Dismiss Idea Of Settlement (WSJournal)

By KATE KELLY, SUSANNE CRAIG and JOHN HECHINGER

The Wall Street Journal, July 23, 2003

Regulators at the New York Stock Exchange are seeking settlements of the probe into the practices of some of its floor-trading firms -- but some of the firms are balking at the approach, insisting they did nothing wrong.

In recent weeks, David Doherty, head of NYSE's enforcement division, has met with representatives for some of the NYSE's biggest "specialist" firms, which are in charge of trading of specific stocks, in an attempt to hammer out an agreement that would end the exchange's inquiry into institutional wrongdoing.

The inquiry raises questions about the Big Board's basic 200-year-old structure, which uses human traders as go-betweens for investors, even as other markets, like the Nasdaq Stock Market, have adopted completely electronic systems.

But of the five firms known to be involved in the inquiry -- LaBranche & Co.; Goldman Sachs Group Inc.'s Spear, Leeds & Kellogg specialist unit; Bear Wagner Specialists LLC, which is minority-owned by Bear Stearns Cos.; FleetBoston Financial Corp.'s Fleet Specialist unit; and Van Der Moolen Holdings NV's Van Der Moolen Specialists unit -- at least two are dismissing the idea of a settlement, raising the prospect of a high-stakes standoff between the Big Board and some of the biggest trading firms on its floor, people familiar with the matter say.

Officials at LaBranche, Goldman, Fleet and Bear Stearns had no comment on the talks. Officials at Van Der Moolen couldn't be reached.

People familiar with the discussions say officials at some of the firms maintain the trading practices of their floor specialists have been above board. Echoing a widespread sentiment among the specialists being investigated, one person familiar with the specialist firms' view of the probe says the settlement talks have been preliminary in part because the inquiry hasn't turned up severe or frequent violations. Some specialists are even referring jokingly to the NYSE's overtures as the "global settlement" offer, in a reference to the landmark regulatory settlement between Wall Street brokerage firms with regulators over investment banking and research conflicts of interest earlier this year.

An NYSE spokesman also declined to comment on any settlement talks, as did a spokesman for the Securities and Exchange Commission, which has been monitoring the NYSE probe. However, people familiar with the inquiry say some trading firms targeted in the probe have indicated they would consider a settlement, though precise terms still are under negotiation. NYSE officials declined to identify the firms in favor of a possible deal.

Even if some firms agree to a settlement deal, the NYSE is holding out the prospect of pursuing cases against individuals who may have been involved in the trading in question. The Big Board also has told some firms that they need to explore ways to compensate investors who may have lost money as a result of any improper trading.

Since it was disclosed in mid-April, the NYSE's probe into specialists' trading practices has raised questions about how effective the Big Board's market is for investors. Specialists are individual traders who oversee most of the buying and selling activity in specific stocks on the floor of the Big Board.

The NYSE has said that the current probe is focused on whether specialists on the floor have at times violated their "negative obligation," or the requirement to hang back and not trade for the specialist firm's own account when enough public buyers and sellers exist already.

Attorneys familiar with the floor's workings say despite the NYSE's detailed log of keystrokes made in specialists' trading systems, the ins and outs of a live auction can sometimes be hard to document.

"There's a lot of validity to the argument that it is oftentimes difficult to piece together what actually happened on the floor," said Alan Cohen, an attorney at the law firm O'Melveny & Myers who has represented clients in NYSE investigations. "That said, there are many pieces of paper, and electronic entries, that are supposed to provide the audit trail for what happened on the floor. The real question is, how good are those pieces of paper at doing just that?"

Word of the NYSE's probe first became public the week of April 14, when the specialist in General Electric Co., David Finnerty, was suspended as the result of an internal investigation at his firm, Fleet Specialist. Fleet's internal probe, which was sparked by concerns raised by the NYSE, raised questions about whether Mr. Finnerty had engaged in allegedly improper trades that created a \$3,000 to \$4,000 profit for Fleet's own account, according to people familiar with the matter, who said at the time the investigation may end up involving additional questionable trading profits. Mr. Finnerty has said he can't comment on the probe.

The NYSE's internal inquiry began about a year ago, when a significant bump up in a foreign issuer's stock over a relatively short period of time raised concerns about whether the specialist in question had handled the stock's trading appropriately, according to people who have been briefed on the NYSE probe.

Although the Big Board has said a review of the activity in question didn't turn up anything inappropriate, the process did spur a market analyst to wonder whether specialists might be violating their negative obligation on a more widespread basis -- prompting the broader probe.

To date, at least five of the NYSE's seven specialist firms have been included in the investigation, and those five are by far the largest in terms of headcount and volume of shares traded.

The probe has also included reviews of the trading activity in some of the NYSE's highest-profile stocks and the specialists and clerks, or trading assistants, who handle them.

In addition to Fleet's GE, companies whose share trading has been part of the probe, according to people familiar with the probe, include the Bear Wagner stocks Citigroup Inc. and Merrill Lynch & Co; LaBranche stocks Altria Group Inc. and Exxon Mobil Corp.; and Spear stock Verizon Communications Inc.

SEC Reviews Exchange Regulation (FT)

By Vincent Boland and Adrian Michaels in New York

The Financial Times, July 23, 2003

The Securities and Exchange Commission is considering changing the way US stock exchanges are regulated as part of a review of the structure of US securities markets.

William Donaldson, SEC chairman, said self-regulatory marketplaces such as the New York Stock Exchange were going through "a time of test" as they grappled with inquiries into alleged misconduct on their trading floors.

The chief US financial regulator told the Financial Times that a debate was going on about self-regulatory organisations (SROs) and external supervision. The NYSE and other US securities exchanges guard their SRO status fiercely, and would strongly resist any move to hand regulation to the SEC.

Mr Donaldson said the SRO concept, introduced when the SEC was created in the 1930s, was "very sound" but may not be suitable in modern marketplaces.

His comments came as an investigation continued at the NYSE into possible misconduct by specialists on its trading floor related to undue intervention between buyers and sellers of stocks.

Critics are increasingly voicing concerns about transparency in the market. At least five of the specialist firms that control order flow on the NYSE are being investigated in an internal procedure.

Mr Donaldson said the SEC was also involved in the probe, but he declined to comment directly on it. The SEC is also investigating the American Stock Exchange for possible abuse of the way it handles customers' options transactions.

He also reiterated his view that decimalisation - which allowed for the trading of NYSE-listed stocks in cents - should be reviewed to assess its impact. Its introduction coincided with the peak of the bull market and the subsequent drop in share prices and trading volumes.

Mr Donaldson is credited with restoring credibility and integrity to the SEC after the turbulent reign of Harvey Pitt, his predecessor. However, critics leapt on his comments suggesting decimalisation had flaws, claiming Mr Donaldson was more concerned with broker profits than investors.

Funds May Have To Tell More (WSJournal)

By TOM LAURICELLA

The Wall Street Journal, July 23, 2003

For nearly a quarter century, mutual-fund investors rarely have been able to see a figure in black and white showing how much they were paying in commissions when they purchase fund shares.

That may be changing, along with a host of other industry disclosure and record-keeping practices in the wake of recommendations issued by a Wall Street task force Tuesday. The panel -- composed of investment-industry officials and regulators other than the Securities and Exchange Commission -- was investigating why investors often fail to receive commission discounts that they deserve when purchasing certain types of fund shares.

Among the major recommendations in the panel's 26-page report is that the SEC should "revisit" a decision it made in 1979 that allows brokerage firms to omit commission information from confirmation statements provided investors after they invest in mutual funds charging commissions, or "loads." Such commission information routinely is required for most other types of investments. Without that information, critics note, it's difficult for investors to determine if the proper sales charge was applied.

"It's good news and a total about-face" for the SEC from its longstanding policy, says Mercer Bullard, a law professor at the University of Mississippi at Oxford, who has urged greater disclosure of fund fees. "Right now the only way for an investor to determine what they paid in a sales charge is to look at the confirmation statement, compare that to the check that you wrote and then do some mental gymnastics."

The new report follows a study released in March by securities regulators, including the SEC, that found many brokerage firms inadvertently failed to provide so-called breakpoint discounts to investors. Breakpoints are levels of investments at which the upfront commissions on mutual-fund shares can be reduced, sometimes dramatically.

While a number of the steps recommended by the task force Tuesday are voluntary, Mary Schapiro, vice chairman of the National Association of Securities Dealers and head of the task force, claimed there would be teeth behind the recommendations. "We believe the fund industry and brokerage community are committed to making these changes, but we have to be ready and willing to write rules to require them."

In a statement, SEC Chairman William H. Donaldson said: "I anticipate that the commission will consider additional regulation" in the areas addressed by the report "in the near future".

Many investors are unaware of breakpoints and how they work, but they can mean big savings in commissions. For example, an investor who puts \$10,000 into a front-load fund of some fund companies will pay the maximum 5.75% sales

charge. But an investor or a family member putting a total of \$25,000 with the same fund company may be required to pay only a 5% load, while a \$100,000 investment may cost 3.5%.

TAKING STOCK: Investors added \$19.5 billion in new money to stock mutual funds in June -- more than any month since March 2002, according to an estimate by Lipper Inc.

While the additional money going into stock funds reflects the market's strong performance recently, Lipper, the fund tracking unit of Reuters PLC, said investors tended to avoid more aggressive investment styles. More than half the money, or \$9.9 billion, went into diversified U.S. stock funds.

Meanwhile, money flowing into bond mutual funds was down 25% from May at \$6.5 billion. It was the lowest figure since \$6.4 billion in October 2002. Investors also added to money market funds for the first time since November 2002.

ImClone Founder Due at Federal Prison (AP)

By Erin McClam

The Associated Press, July 22, 2003

NEW YORK (AP) - Sam Waksal, the ImClone Systems Inc. founder whose jet-setting lifestyle crumbled in an insider-trading scandal, is expected to report Wednesday to a federal prison where his work could include waxing floors and cutting grass.

Waksal is required to turn himself in at Schuylkill Federal Correctional Institution in Minersville, Pa., to begin serving a prison sentence of more than seven years.

The scientist admitted last year to tipping his daughter to dump ImClone stock in December 2001 because he had received word the government was about to issue a negative report on the ImClone cancer drug Erbitux.

The scandal has since ensnared his friend Martha Stewart, who was indicted last month. The government says she sold her own ImClone shares when she heard the Waksals were selling - then lied about it to investigators.

Waksal, 55, will be one of about 300 federal inmates at Schuylkill, a minimum-security prison about 75 miles northwest of Philadelphia.

There he will be assigned menial work, such as scrubbing and waxing floors, cutting grass and cleaning inmates' quarters, said Dan Dunne, a spokesman for the U.S. Bureau of Prisons.

He will likely start by earning about 16 cents per hour, with the chance to work his way up to 40 cents, Dunne said. Inmates work 7 1/2 hours each day, five days a week.

Prisoners at Schuylkill can attend evening education programs, but must return by 8:30 p.m. to their quarters - inside open, dormitory-style houses with rows of bunk beds and small lockers for the inmates.

"It's basically like a military barracks," Dunne said.

Waksal originally asked to be sent to a prison at Eglin Air Force Base, Fla. - a white-collar facility Forbes magazine once called the best place to be incarcerated in America.

Dunne would not discuss why prison officials sent Waksal to Pennsylvania instead. He said prison assignments are made based on a variety of factors, including escape risk, medical considerations and the residence of the criminal.

He was sentenced June 11 to seven years and three months in prison and ordered to pay more than \$3 million. Waksal had pleaded guilty to eight federal charges.

At the time, U.S. District Judge William H. Pauley told him: "The harm that you wrought is truly incalculable." Waksal had pleaded to the judge for leniency, admitting he "tore my family apart."

Waksal's attorney, Mark Pomerantz, did not return a call Tuesday seeking comment.

Stewart was indicted June 4 on charges of conspiracy, obstruction of justice, securities fraud making and false statements to federal officials.

She has pleaded innocent on all counts and mounted a public defense, including a Web site that is updated daily with new support letters from the fans she built as a cultural maven of domestic style and graceful living.

Stewart's ex-stockbroker, Peter Bacanovic, was also indicted and has pleaded innocent.

CRIMINAL LAW:

A Clash of Cultures (NLJ)

Puerto Rico fights death penalty in dispute with United States, Pennsylvania

By Leonard Post

The National Law Journal, July 23, 2003

A clash of cultures and governments over the death penalty has erupted in Puerto Rico, pitting the commonwealth against the United States and the state of Pennsylvania.

A capital trial has begun in a federal court in Puerto Rico, and, next month, a public defender is set to fight the extradition from Puerto Rico of a man facing a murder charge in Pennsylvania, because it might be charged as a capital crime.

Both situations stir the passions of Puerto Rican nationals, and a large segment of the island's legal community. The commonwealth outlawed the death penalty in 1929. Its Constitution, ratified by Congress in 1952, provides: "The death penalty shall not exist."

In the federal case, the Department of Justice ignored Puerto Rico's ban on the death penalty when it charged two reputed gang members with capital crimes and sought the death penalty. Later, that contention won the support of the 1st U.S. Circuit Court of Appeals.

Hector Oscar Acosta-Martinez and Joel Rivera-Alejandro, the reputed gang leaders, are accused of the 1998 kidnapping of a grocer, Jorge Hernandez Diaz, who was shot to death, then dismembered, allegedly because his family had called the police after receiving a ransom demand.

The federal jurisdiction for the local crime is based on a killing in retaliation for cooperating with the government and on an intentional crime of violence resulting in a death by a firearm.

Kevin McNally, a federal death penalty counsel, believes that in asserting federal jurisdiction, Attorney General John Ashcroft is "imposing his personal preference regarding capital punishment on areas ... that are less hospitable to the death penalty than, say, Texas, but without much success."

He noted that in the United States, 15 of the last 16 federal juries that have had the opportunity to consider it have voted for life sentences rather than the death penalty.

Policy questions telephoned to the DOJ public affairs office were answered in a generic e-mail from Barbara Comstock, director of public affairs, that didn't mention Puerto Rico.

"The death penalty is the law of the land, provided for as the ultimate punishment for heinous crimes," it said. "A process exists for seeking the death penalty and reviewing plea agreements in capital cases" that "is designed to ensure consistency and fairness in the application of the death penalty in all U.S. Attorney districts across the country."

JOINT UNDERSTANDING

Puerto Rican authorities had agreed in a memorandum of understanding with the local U.S. Attorney's Office that local violent crime often would be prosecuted by the federal government when federal jurisdiction existed, a federal judge noted. In the past, however, those charged with federal capital crimes had been allowed to plea to a sentence other than death, local lawyers said.

In 2000, the defendants in the grocer's death challenged the applicability of the death penalty in the commonwealth. *U.S. v. Acosta-Martinez*, 106 F. Supp. 2d 311 (U.S.D.C., Puerto Rico).

District Court Judge Salvador Casellas granted their motion, declaring that the Federal Death Penalty Act was inapplicable to Puerto Rico because it conflicted with § 9 of the Puerto Rican Federal Relations Act.

That section states that "the statutory laws of the United States, not locally inapplicable ... shall have the same force and effect in Puerto Rico as the United States."

Casellas pointed to particular internal revenue law and federal maritime law that has been held to be locally inapplicable as examples of the section's application. He acknowledged that some federal law that conflicted with Puerto Rico's does control, such as the Omnibus Crime Control and Safe Streets Act. It trumps Puerto Rico's prohibition against wiretapping. But, he declared, "Death is different ... unique in its irrevocability."

He was overruled by the 1st Circuit Court of Appeals, which rejected his contentions. *U.S. v. Acosta-Martinez*, 252 F.3d 13 (U.S. Ct. of App., 1st dist. (2001)). Citing its own precedent, it held that "Congress maintains similar powers over Puerto Rico as it

possesses over the federal states," and that the island's constitution only governs its own courts "as state constitutions govern state courts."

While accepting the "strength of Puerto Rico's ... moral and cultural sentiment against the death penalty," it called the issue before it a strictly legal one of congressional intent. That intent, it held, was to include Puerto Rico under the Death Penalty Act.

The Supreme Court denied certiorari. It could still visit the issue on appeal if the defendants are sentenced to death.

ATTEMPTS TO EXTRADITE

The issues will be raised anew on Aug. 7, when Pennsylvania attempts to extradite Juan Martinez-Cruz for murder. In 2000, he allegedly shot a 32-year-old man multiple times in an argument over a woman in a bar.

Cathie Abookire, the Philadelphia DA's communications director, said Martinez's was "a potential capital case, but no decision had been made on whether to seek the death penalty."

Luis Russi, Martinez's San Juan-based Legal Aid lawyer, said he will fight the extradition under international legal principles, the first such challenge on the island, unless Martinez is guaranteed in writing that he will not be subject to the death penalty.

"If we have to, we'll take it to the Commission on Human Rights in Geneva or the international court in The Hague. We are a different nation than the United States -- the death penalty does not apply here."

Rosa Alexandrino, chief of the Extradition Division of Puerto Rico's Department of Justice, had no doubt that a court would issue a governor's warrant that allowed the extradition.

While the commonwealth's Justice Department opposed the federal capital trial, filing an amicus brief in the U.S. Supreme Court, it is not opposing the extradition.

"Extradition is a constitutional mandate -- there is no discretion," Alexandrino said.

She distinguishes the department's positions regarding the two cases as the difference between "importing the death penalty," having it on its sovereign soil, and "exporting it."

"There is a presumption that a defendant's due process rights will be preserved by the state requesting extradition," she said.

Both the hope that this was true and the reality that, sometimes, it was not, was apparent in her voice.

Arturo Luis Davila-Toro, president of the Puerto Rico Bar Association, insists that the extradition violates the compact between Puerto Rico and the United States.

"If Puerto Rico doesn't recognize capital punishment as a way of punishing felonies, this means that there can't be an extradition that approves and utilizes the death penalty to punish an alleged crime," Davila said.

He called it a serious constitutional confrontation between the United States and the commonwealth, which have "a sui generis political relationship."

Wilma Reveron, a founder of Ciudadanos Contra la Pena de Muerte (Citizens Against the Death Penalty) and an ex-vice president of the Puerto Rico Bar Association, wants Congress to step in.

Reveron noted that the Death Penalty Act excludes Native Americans for acts committed on Indian soil, unless a tribe elects to opt in. Her group wants the same treatment for Puerto Rico, and wants her government to take a more affirmative stance.

"They have been too shy in defending the Constitution," Reveron said.

She also wants the local Justice Department to abrogate its Memorandum of Understanding with U.S. prosecutors.

On the international front, the citizens' group has filed an initiative with the Commission on Human Rights.

Reveron said that matter had been referred to a confidential committee. On June 9, she made a presentation on the federal prosecution to the Decolonization Committee of the United Nations.

"It's not only a question of human rights, it's a question of self-determination," she said.

Last week, Anabelle Rodriguez, the Secretary of Justice of Puerto Rico, Alexandrino's boss, and the island's highest-ranking law enforcement official, said it would not be proper for her to comment on a pending prosecution, "a matter for the courts to determine," she said of the federal case.

But she had no reluctance to speak about the commonwealth's prohibition against the death penalty, which she "wholeheartedly" supports. "It is reflective of our collective consciousness."

Ashcroft Unfairly Forces States To Embrace The Death Penalty (Omaha World-Herald)

Column By Froma Harrop

The Omaha (NE) World-Herald/Creators Syndicate, July 22, 2003

PROVIDENCE, R.I. - Attorney General John Ashcroft is a religious conservative who sees no conflict between his Christian beliefs and his blood lust to want more people executed. That large numbers of Americans, though still a minority, find the death penalty morally repellent does not sway him. That many of these death-penalty opponents cede nothing to him on claims of religious devotion also makes little impression.

Because feelings on capital punishment vary greatly from region to region, Ashcroft's predecessor, Clinton appointee Janet Reno, had let local prosecutors decide when to seek the death penalty. The Bush Justice Department has broken with this practice and often overrules prosecutors who don't ask for the death penalty.

Puerto Rico now seethes over one such death-penalty case. Its 1952 Constitution specifically outlaws capital punishment. The people are overwhelmingly Catholic, and the Catholic Church staunchly opposes the death penalty. The crime at issue was a gruesome kidnapping-murder, but not something that would necessarily interest the federal government. To Puerto Rican eyes, the Justice Department is simply hot to execute two bad Latino men.

Much of the outrage, no doubt, stems from Puerto Rican sensitivity regarding the island's autonomy. As a U.S. territory, Puerto Rico inhabits something of a political limbo in its relationship with the mainland.

But a number of bona-fide states also feel trampled by a federal government intent on forcing a Southern-conservative culture on the entire nation. In New York State, for example, the Justice Department has overruled at least 10 prosecutors for failing to call for capital punishment in federal cases.

Having government break the taboo on the deliberate taking of a person's life is itself highly disturbing. But the possibility that the state might execute someone by mistake is unbearable.

Rhode Island abolished the death penalty in 1852, after it hanged an almost certainly innocent man. John Gordon, an Irish immigrant, had gone to the gallows for conspiracy to commit murder. It was a time of considerable anti-Irish bias, and the victim had been a prominent factory owner. Gordon was executed two months before the scheduled trial of his alleged co-conspirator, a brother. The brother was eventually acquitted of the charges.

Last week, Ohio freed Gary Lemar James, who had spent 26 years in jail for allegedly killing a security guard in a bank robbery. New evidence shows he didn't do it. In 1999, then-Gov. George Ryan of Illinois halted all executions in his state after learning that 13 men on death row had been exonerated of their crimes since 1977.

A recent story from Ashcroft's home state of Missouri should send chills down the spine of any merciful human being. A man was awaiting execution for supposedly killing a fellow inmate when his accusers took back their story. Prosecutors argued for executing him anyway - over the technicality that he had been late in submitting the new information. Fortunately, the state Supreme Court intervened, noting that a condemned man should always be allowed to prove his innocence.

The Justice Department claims it just wants to ensure that the death penalty is applied "in a consistent and fair manner across the country." As department spokeswoman Barbara Comstock put it, "What we are trying to avoid is one standard in Georgia and another in Vermont."

That's right. Everyone's standards must now be Georgia's - or what she thinks they are.

Actually, revulsion against the death penalty may be spreading to places usually deemed favorable to capital punishment. Juries have refused to impose the death penalty in 15 of the last 16 trials in which federal prosecutors sought it. The states involved included such conservative strongholds as Missouri, Mississippi, Louisiana, Texas, Virginia and Tennessee.

The rate of failure in obtaining jury decisions backing the death penalty is far higher than in years past. This could be a statistical fluke. Or it could reflect public horror following a spate of reports on wrongfully convicted death-row inmates.

Just when the national tide appears to be turning against the death penalty, the moral primitives at the Justice Department seem intent on accelerating its use. Perhaps Ashcroft and other righteous fans of capital punishment think their support of state-sanctioned killing will seem less ugly if everyone else is made over in their image. It won't.

Jury's Verdict In Death Reversed (WPost)

Judge Discounts Kidnapping Theory

By Jerry Markon

The Washington Post, July 23, 2003

A federal judge in Alexandria yesterday took the unusual step of overturning a jury's verdict and threw out the conviction of Jay E. Lentz, a former naval intelligence officer charged with kidnapping and killing his ex-wife.

U.S. District Judge Gerald Bruce Lee ruled that prosecutors failed to prove the key underpinning of their case: that Lentz lured Doris Faye Lentz to his Prince George's County home in April 1996 as part of a kidnapping plot that resulted in her death. Her body has not been found, which made the case difficult from the start, and prosecutors went forward with no body, no crime scene and no eyewitnesses.

In the end, those obstacles were too much to overcome, Lee said in setting aside the verdict.

"There is no evidence Jay Lentz held or detained Ms. Lentz as part of a kidnapping," Lee wrote. "This fatal flaw requires the Court . . . to dismiss the case."

On July 7, a federal jury convicted Lentz of a single count of kidnapping resulting in death. The jurors sentenced him to life in prison without the possibility of parole, sparing him the death penalty the government had sought.

Lee criticized the government for trying a local homicide case in federal court. Prosecutors had contended that they had jurisdiction because, they said, Lentz lured his ex-wife across state lines from her home in Arlington in his plot to kill her to avoid child support. A local prosecution would have been nearly impossible without Doris Lentz's body, experts said at the time, so the case was tried in federal court.

"The Court concludes that while there may be evidence of something here, it is not federal kidnapping," Lee wrote. "This Court is unwilling to contort the law of federal kidnapping to fit the facts of this case."

The judge postponed enforcing his decision until a hearing Tuesday on whether Lentz should be released on bond pending an appeal by prosecutors.

Legal specialists called the ruling extraordinary. Although defendants frequently file motions to have their convictions dismissed, judges rarely grant them. And experts said it is unprecedented for a judge to dismiss a jury verdict in a federal death penalty case.

Lee's actions underscored a national debate over the death penalty and whether the Justice Department has pushed too hard to expand it. "This illustrates how far we've plummeted in terms of the kinds of cases that are now being brought as death penalty cases," said Barry Boss, a Washington defense lawyer experienced in capital cases. "It used to be that they reserved seeking death for only those cases in which guilt was overwhelming and the crime was particularly heinous."

Paul J. McNulty, the U.S. attorney in Alexandria whose office brought the case in 2001, five years after Doris Lentz's disappearance, said the government would appeal Lee's ruling to the Richmond-based U.S. Court of Appeals for the 4th Circuit. "The judge's ruling overrides the jury's careful and lengthy deliberation and guilty verdict in this case," McNulty said in a statement. "We will do everything possible to hold Mr. Lentz accountable for his actions."

In a similar case in 2000, the 4th Circuit allowed a kidnapping charge to proceed against a man who lured a witness against him across state lines. A federal judge in Alexandria had dismissed that case, ruling that kidnapping law requires someone to accompany the victim. No body was found in that case, either.

Frank Salvato, an attorney for Lentz, said the defense team was "extremely pleased with the court's decision. It was a fair and reasoned decision."

The reaction was far different in Memphis, where Gene Butt, Doris Lentz's mother, said she was "stunned, just stunned. I really can't assimilate it yet. . . . Six weeks wasted."

Jury forewoman Karen Plante said she was "fully fine" with Lee's ruling. "We did what we thought we were supposed to do with the information we had," she said. "If it does actually work out that Jay gets to have a chance to go have a life with his daughter, then I'm all for that."

Lee said he had waited to rule on the defense motion to dismiss the charges, which was filed in mid-June, to preserve the government's right to appeal. If he had dismissed the case earlier, prosecutors would have been barred from appealing. Experts said it is unusual for a judge to let a case he thinks is flawed move forward to a verdict.

Doris Lentz, 31, vanished April 23, 1996, after telling a friend that she was on her way from her Arlington home to pick up her daughter Julia, who was then 4, at her ex-husband's home in Fort Washington. A week later, police in Southeast Washington found her blood-spattered Toyota. The door was unlocked, and her purse was in full view.

Five years later, in April 2001, Arlington police and the FBI arrested Jay Lentz in Indiana, where he had settled into a quiet life with his daughter and was working as a teacher.

Once in court, the evidence focused on Lentz's hatred for his ex-wife and their messy divorce. The couple divorced in 1995 and continued to battle over child support and other issues. A court hearing over a \$30,000 payment that Lentz owed had been scheduled for the day after Doris Lentz's disappearance.

The trial originally was scheduled for September, but prosecutors appealed a ruling from Lee in the middle of jury selection. Lee had ruled that many statements Doris Lentz made to friends expressing fear of her ex-husband could not be used at trial. Those included a statement that Doris Lentz attributed to Jay Lentz: "If O.J. [Simpson] can get away with it, so can I." This, the judge ruled, was hearsay and too prejudicial. The 4th Circuit upheld Lee's decision.

Yesterday, Lee noted the lack of physical evidence and questioned whether Doris Lentz ever made it to Jay Lentz's home that day. Most important, Lee said, there was no evidence that Lentz held his ex-wife against her will, a necessary element of the law.

Probe Sought Of Westar Donations (Wichita Eagle)

By Dion Lefler

The Wichita (KS) Eagle, July 22, 2003

A political watchdog group has asked the Justice Department to investigate whether Westar Energy executives and three congressmen -- including the House majority leader -- violated federal bribery laws.

Public Citizen, the group founded by consumer advocate Ralph Nader, says House Majority Leader Tom DeLay and Reps. Joe Barton and Billy Tauzin may have violated bribery laws by pushing special-interest legislation for Westar after soliciting contributions from the company for their political allies.

The group's complaint also named 13 current and former Westar officials who it said should also be investigated.

Blain Rethmeier, a spokesman for the Justice Department in Washington, said department policy forbids confirming or denying whether an official investigation is under way.

"Certainly we will review Public Citizen's allegations and make a determination if a case should be brought," he said.

DeLay and Barton are from Texas, and Tauzin is from Louisiana. All are Republicans. Spokespeople for all three did not return phone calls seeking comment.

Westar spokeswoman Karla Olsen said the company has turned over all the political investigation matters to a lawyer, Tim Jenkins. Jenkins did not return a phone call seeking comment.

Tyson Slocum, energy research director for Public Citizen, said the group became interested in the case after Westar released a lengthy investigative report on itself in May.

The report revealed a variety of financial and ethical issues during David Wittig's tenure as the company's chief executive, which ended with his resignation in late 2002.

The report contained May 2002 memos between executives outlining a strategy to make tens of thousands of dollars in political contributions in exchange for "a seat at the table" on federal energy regulation.

At the time, Westar was pushing for an exemption to the federal Public Utilities Holding Company Act, which tightly regulates companies that own significant utility properties.

One memo by then-Westar vice president Doug Lawrence noted that DeLay is the House majority leader and said, "His agreement is necessary before the House conferees can push the language we have in place in the House bill."

The memo also identified Tauzin and Barton as key House conferees on Westar's proposal and said they had asked Westar to give money to Rep. John Shimkus, R-Ill., "in lieu of contributions made to their own campaigns."

Slocum said Public Citizen has identified \$63,200 in Westar-related contributions to the representatives, their associates and political action committees.

The group's research showed that after Westar made the contributions, Barton inserted the language the company wanted into the conferee's version of the 2002 House energy bill without taking a vote.

An effort to remove the Westar exemption was turned back when Barton voted -- for himself and as a proxy for DeLay, Tauzin and five other GOP representatives -- to keep it in.

"It's very unusual to insert language that was not in the original bill approved by the House," Slocum said.

Under congressional procedure, the conferees are supposed to work with their colleagues in the Senate to iron out differences in bills passed by the two houses.

The Westar exemption stayed in the energy bill from May until October. It was dropped after Westar revealed it was under investigation on other issues by the Justice Department and the Securities and Exchange Commission, Slocum said.

Although several other representatives were involved, Slocum said Public Citizen focused its complaint on DeLay, Tauzin and Barton because they all were in leadership positions and had taken action to approve the Westar exemption.

Westar has already disclosed that it is under investigation by several federal and state agencies on issues not related to its political activities.

Last week, a federal jury in Kansas City, Kan., convicted Wittig of six counts of federal bank fraud, conspiracy and money laundering in connection with a Scottsdale, Ariz., real estate deal.

Boeing Rocket Executive Is Focus Of US Military-Contract Probe (WSJournal)

By ANDY PASZTOR and ANNE MARIE SQUEO

The Wall Street Journal, July 23, 2003

Federal investigators, expanding their criminal investigation into document gathering by Boeing Co. employees, are focusing on a high-ranking executive in the company's rocket unit for allegedly helping snare a rival's proprietary documents during a major military-contract competition, people familiar with the case said.

Justice Department and Pentagon investigators are delving into the activities of Thomas Alexiou, currently program director of the military version of Boeing's Delta IV rocket and the immediate supervisor of two former Boeing employees charged in the case, these people said. Last week, the two men were indicted for conspiring to illegally gather and distribute within Boeing proprietary Lockheed Martin Corp. documents in a multibillion-dollar competition to build the government's next-generation rocket.

Meanwhile, a separate civil inquiry by the Air Force could end in the next few days, potentially causing Boeing's struggling space unit to lose nearly \$1 billion of government business, people familiar with the details said.

The government's focus on Mr. Alexiou is likely to add to Chicago-based Boeing's legal exposure and public-relations problems by undercutting the company's repeated statements that any wrongdoing in the unit was confined to a trio of lower-level employees who were fired or disciplined years ago. Mr. Alexiou's name came up during Boeing's internal investigation of the document issue in mid-1999. But he wasn't punished and has since been promoted twice.

Through a Boeing spokesman, Mr. Alexiou declined to comment. A Boeing spokeswoman declined to comment on personnel matters.

The criminal inquiry is heating up as senior Air Force officials push to quickly resolve their own investigation. Wednesday, the Air Force's top space official, Peter Teets, is to meet with Defense Secretary Donald Rumsfeld to discuss the results of the service's review and recommend penalties. Representatives for Mr. Rumsfeld and Mr. Teets declined to comment on the meeting. After being briefed earlier this month, Mr. Rumsfeld asked for additional information and stressed to Air Force officials

that they should take a hard-line stance if Boeing was determined to have broken federal procurement laws, people familiar with that meeting have said.

Talks on the precise penalties are still fluid and subject to approval by Mr. Rumsfeld. But people familiar with those discussions say Boeing's rocket-launch operation could lose about \$900 million in business to launch government satellites. Specifically, Mr. Teets is expected to recommend that Boeing forfeit about six of the rocket launches it won in October 1998, when it beat Lockheed for the majority of government rocket orders. The Air Force also would automatically award Lockheed three out of four additional launches that were to be awarded this year, people familiar with the situation said. That would even out the launches between the two companies at 16 each. Still, Lockheed isn't expected to see a short-term financial boost from the additional launches since they wouldn't occur until later this decade.

In addition, Boeing's rocket unit is expected to be suspended or debarred from new contracts for possibly as long as a year, the longest any major defense contractor has been cut off from government work going back to at least the 1980s. However, temporarily cutting off the unit from new business would be largely symbolic because the Air Force already has allocated launches through the end of the decade.

A resolution could be announced as early as Thursday, though it won't end a private lawsuit filed by Lockheed, based in Bethesda, Md., or the continuing inquiry by a federal grand jury. Mr. Alexiou hasn't been formally notified by the U.S. Attorney's office in Los Angeles that he is the target of that investigation, but court documents previously filed by the government lay out his ties with Kenneth Branch and William Erskine, the two men who were recently indicted. Any connection between a current high-ranking Boeing employee and corporate-espionage allegations could have broad repercussions for a company striving to limit damage to its reputation.

According to a government investigator's sworn affidavit filed in federal court in Los Angeles, in the summer of 1996 Mr. Alexiou met with Messrs. Branch and Erskine during a session in which proprietary Lockheed documents were discussed and read. Mr. Alexiou subsequently hired Mr. Branch, who resigned from Lockheed's rocket operations and reported directly to him for 18 months. Mr. Erskine also reported to Mr. Alexiou for part of the same period.

In the past, an attorney for Mr. Erskine said his client isn't guilty of any crime and an attorney for Mr. Branch said his client is cooperating with investigators.

The government's filing also said that in late 1997, a Boeing software engineer named Kimberly Tran spotted Mr. Branch reading documents marked "Lockheed Martin proprietary" and reported the matter to her immediate supervisor. Mr. Alexiou later became "quite upset" that Ms. Tran didn't report the incident directly to him, according to the filing, and the next day Mr. Alexiou informed Ms. Tran's supervisor that "the matter had been looked into" and that Mr. Branch didn't have any proprietary Lockheed material.

Victims Protest Lack Of Prosecution Of Church Officials (AP)

The Associated Press, July 23, 2003

BOSTON (AP) - Alleged victims of child-molesting priests expressed outrage Tuesday over the Massachusetts attorney general's decision not to bring charges against any high-ranking officials of the Boston Archdiocese.

About two dozen protesters carried signs outside Attorney General Thomas Reilly's office, criticizing him for what they called his "deference" to the church.

"We are not asking - we demand - that Attorney General Reilly find ways to indict," said Paul Baier, president of Survivors First, a group for abuse victims.

Reilly's spokeswoman, Ann Donlan, said he had no comment on the protest.

Reilly is scheduled to release a report Wednesday detailing the results of a 16-month investigation, conducted in part by a grand jury, into the sexual abuse of children by dozens of priests. Reilly's office said earlier this week that the report does not call for criminal charges against anyone in the church hierarchy.

Reilly has said that weak child protection laws in effect when the abuse took place prevent him from prosecuting church supervisors.

The grand jury convened by Reilly investigated whether Cardinal Bernard Law and many of his top aides could be held criminally responsible for moving priests from parish to parish when they knew of the abuse allegations. Law resigned as archbishop in December.

A state law passed last year adds members of the clergy to a list of professionals required to inform state officials of suspected child abuse.

The archdiocese is facing about 500 lawsuits from alleged victims of sexually abusive priests. Church officials have repeatedly said they are committed to working toward a settlement.

Virginia Executes Man For '97 Death (WPost)

Young Mother Had Been Raped

By Maria Glod

The Washington Post, July 23, 2003

Bobby Wayne Swisher was executed by injection in Virginia's death chamber last night, six years after he kidnapped and raped a young mother before slashing her throat and tossing her, still alive, into the frigid waters of the South River.

Swisher, a 27-year-old high school dropout, was pronounced dead at 9:05 p.m. at the Greensville Correctional Center in Jarratt, as members of his victim's family looked on, according to Virginia Department of Corrections spokesman Larry Traylor.

"I hope you can all find the same peace in Jesus Christ as I have," Swisher said in his final statement, according to Traylor.

Swisher's execution had been scheduled for July 1, but Gov. Mark R. Warner (D) delayed it by three weeks to give defense attorneys time to argue before the Virginia Supreme Court that the jury used a verdict form that the court previously found to be defective in a separate case. As defense attorneys and legal experts predicted, the court said it had no authority to consider the claim because Swisher already had exhausted his appeals. Warner had said he would not intervene again if the court did not resolve the issue, and he declined to get involved yesterday.

Defense attorneys Anthony F. King and Steven D. Rosenfield said in a statement last night that Warner "abdicated his constitutional and moral responsibility to do the right thing" when he refused to halt the execution. "Instead, he made a craven and cowardly political calculation that killing Bobby Swisher would advance his political career."

Warner declined to comment on that allegation, according to his spokeswoman, Ellen Qualls.

The defense contends that the jurors who sentenced Swisher to death may not have known that they could have chosen a sentence of life in prison.

A spokesman for Virginia Attorney General Jerry W. Kilgore (R) said that the state's verdict form has been upheld by the U.S. Supreme Court and that Swisher's crimes were so vile that a death sentence was appropriate.

"The facts of this case are almost too horrible to comprehend," said Tim Murtaugh, Kilgore's spokesman.

According to court documents, Swisher was high on cocaine the evening of Feb. 5, 1997, when he walked into an Augusta County florist shop where 22-year-old Dawn McNees Snyder was working late to prepare for the Valentine's Day rush.

Swisher, then 20, forced Snyder to walk to a field near the South River where he raped her and cut her face and throat. He threw her into the river and later told a friend that he walked along the riverbank asking, "Are you dead yet?"

In a recent telephone interview from a Virginia prison, Swisher said that he had become a born-again Christian and that he had been spending his days reading the Bible. When asked whether he thought his life should be spared, he said: "Some days I do. Some days I don't."

Swisher refused to talk about the rape and murder. "I remember enough to know I don't want to remember no more," he said. "I've put up some walls."

Sandi McNees, Snyder's mother, who witnessed the execution, said Monday she thinks of her daughter's suffering each day. McNees said Snyder was a devoted mother who volunteered with the rescue squad and had recently opened the florist shop with a friend.

"She packed a lot of life into her short years," McNees said.

Swisher's execution was the second in Virginia this year.

In April, Earl Conrad Bramblett, who killed a family of four in southern Virginia in 1994, died in the electric chair.

Movie Firms To Run Ads Targeting Internet Pirates (WPost)

Film set painter David Goldstein is one of many movie industry employees featured in anti-piracy ads scheduled to start Thursday. (File Photo -- AP)

By Frank Ahrens

The Washington Post, July 23, 2003

HOLLYWOOD -- The movie industry announced a broad anti-piracy campaign today, with commercials set to appear on all six broadcast television networks, more than two dozen cable channels and in 5,000 movie theaters nationwide.

The ads are scheduled to launch at the same time on all participating channels during prime-time telecasts on Thursday. They also are slated to run between previews showing before Friday night's movies. Encompassing one 30-second and five 65-second spots, the campaign asks consumers not to digitally download unauthorized versions of movies they may find on the Internet.

The spots feature actor Ben Affleck and "Titanic" director James Cameron, but they focus on behind-the-scenes movie employees, such as set painters, security guards, costumers, editors and theater concessionaires who are most of the industry's 580,000 workers. The point of the campaign is to persuade those illegally downloading files that they are stealing paycheck money not just from multimillionaire stars but from regular working folks -- folks like them.

"The piracy issue, I don't believe it will affect the producers," set painter David Goldstein says in one spot. "I mean, it will affect them, but it's minuscule to the way it affects me -- the guy working on construction, the lighting guy, the sound guy. Because we are not million-dollar employees, at all. We're lucky if we can put together 12 straight months."

The campaign was organized by the Motion Picture Association of America, the lobby representing the seven major movie studios -- Universal Studios, Sony Pictures Entertainment, Warner Bros., Metro-Goldwyn-Mayer, Walt Disney Co., 20th Century Fox and Paramount Pictures -- and is the result of an unusual amount of cooperation among frequently warring, highly competitive studios.

"This is a campaign of education and persuasion," MPAA President Jack Valenti said. "You're hurting someone, maybe someone like your own family."

The movie industry estimates that it loses between \$3 billion and \$4 billion a year from pirated DVD discs manufactured mainly in Asia but sold throughout the world. The MPAA has a 100-person office in Hong Kong that prosecutes pirates -- it now has thousands of copyright violation cases in courts -- and spurs local law enforcement officials to raid pirate DVD factories.

Typically, pirates sneak digital videorecorders into previews of movies and upload the low-quality video onto the Internet, where it can be accessed as a digital file. Most of the major studios have collaborated on a pay-download Web site called Movielink, which launched last fall but has not been widely promoted.

No organization has placed a firm cost on potential harm from digital movie piracy, which is still in its infancy owing to the fact that it takes hours to download data-rich movies even over high-speed Internet connections.

But the industry is attempting to head off what will become easier and faster as computer and Internet technology advances. The industry is, in Valenti's words, trying to prevent Napster from happening to the movie industry, referring to the song-swapping software that enabled millions of computer users to download songs for free and that the music industry blames for its current sales slump.

The music industry, led by the Recording Industry Association of America, a lobbying group, is pursuing a vigorous copyright enforcement strategy of suing computer users illegally downloading or swapping music files. As of last week, the RIAA had obtained subpoenas for more than 800 computer users the industry considers song pirates.

The movie industry is attempting to appeal to the conscience of potential Internet pirates who regard their actions as just retribution against the entertainment conglomerates for the prices they charge.

Authorities Investigating Toe Found By Cadaver Dog (AP)

The Associated Press, July 22, 2003

TOLEDO, Ohio - A cadaver-sniffing dog's owner who has been charged with planting evidence at crime scenes is being investigated for a toe found in an Ohio case, a sheriff's deputy said.

Police called on Sandra Anderson, 43, and her dog Eagle to verify the fruitless searches of other dogs looking in Fulton County for a 22-year-old man who disappeared in April 2002. Eagle found the toe in the muck of a creek bed.

"It didn't make sense," sheriff's Lt. Bob Albright said. "I've been doing this for 30 years and I've seen a lot of accident victims. I've seen a lot of limbs that have come off."

Albright said the toe was neatly severed instead of appearing torn off. Two weeks later, the body was found - with both feet still in boots and all 10 toes intact.

The U.S. Justice Department filed charges against Anderson, of Midland, Mich., last month in a Detroit federal court, accusing her of planting human bones at crime scenes between October 2000 and April 2002.

Anderson denied the charges of witness tampering and lying to investigators, saying Tuesday that she did not know how the toe got into the creek bed. She has refused prosecutors' attempts to get her to agree to a plea deal on the charges in a bill of information, she said.

"I just haven't done anything. I'm just putting my faith in the system, which is really scary," she said. "I couldn't live with myself if I didn't speak out."

She said there are numerous explanations why stray body parts might turn up during searches.

"It's not just a dog handler that locates remains. Other individuals stumble across parts of our history," she said. "You could search a farmer's field and find a family plot."

FBI agents have been investigating her for about 1 1/2 years in connection with the Michigan and Ohio cases, she said. Agents have searched her apartment and seized paperwork related to the searches.

Anderson said she is not paid for the 200 searches she completes each year for police departments and historical preservation agencies across the country. They have searched for mass graves in Bosnia and Panama, and helped search for victims of the United Airlines jetliner that crashed in southwestern Pennsylvania after being hijacked as part of the Sept. 11, 2001, terrorist attacks.

Anderson and her dog have a reputation for being able to find evidence in difficult situations, Toledo police Sgt. Keefe Snyder said.

"We trusted her," said Snyder, the head of the department's crime scene unit. "Everybody did. I think everybody felt a little betrayed."

Michigan FBI agents and federal prosecutors in Washington did not return messages seeking comment Tuesday.

The maximum penalty for making false statements is five years in prison and a \$250,000 fine. Witness tampering carries a maximum penalty of 10 years in prison and a \$250,000 fine. Under federal sentencing guidelines, suspects usually face considerably less time.

CIVIL LAW:

Judge Won't Dismiss Suit Against FEC (AP)

The Associated Press, July 22, 2003

WASHINGTON - A judge rejected the Federal Election Commission's request that he dismiss a lawsuit filed over its failure to act on a complaint involving Attorney General John Ashcroft's 2000 Senate campaign.

U.S. District Judge Emmet Sullivan's ruling on Tuesday also ordered the FEC to respond to questions by the Alliance for Democracy campaign finance watchdog group by the end of next month, and said he wouldn't extend the deadline.

The ruling came in a March 2002 lawsuit by the alliance and two Missouri voters against the FEC over its failure to respond to a complaint they filed with the commission in March 2001 involving Ashcroft's Senate campaign.

The complaint alleges Ashcroft's campaign and a political action committee he established, the Spirit of America PAC, violated campaign finance laws in the 2000 election.

The allegations center on a mailing list of donors developed during Ashcroft's 1998 presidential exploration effort. The Spirit of America PAC built the list and Ashcroft's Republican Senate re-election committee then used it to raise more than \$116,000, the complaint alleges.

It says the PAC violated contribution limits by donating the list to Ashcroft's campaign, and that the PAC and Ashcroft's campaign broke the law by failing to disclose the contribution.

The Alliance for Democracy contends the commission, charged with enforcing federal campaign finance laws, has been taking too long to act on its complaint. It wants the court to order the commission to rule on its complaint, and seeks documents from the FEC's investigation.

The court ruled last fall that the FEC could release the documents if Ashcroft agreed. The National Voting Rights Institute, representing the three plaintiffs, said Tuesday that the commission had not released the records.

The Justice Department and the FEC declined to comment on the case.

Morning Business (Roll Call)

NVRI Routs FEC?

Roll Call, July 23, 2003

Attorneys with National Voting Rights Institute- who filed suit last year against the Federal Election Commission for failing to resolve a complaint concerning alleged violations by former Sen. John Ashcroft's (R-Mo.) failed 2000 re-election campaign - declared a minor victory this week in the ongoing court battle.

On Tuesday, U.S. District Judge Emmet Sullivan refused to dismiss NVRI's case and required the FEC to answer, by Aug. 30, certain questions about its handling of the complaint.

'This ruling is a major victory for accountability in government,' said Lisa Danetz, an attorney with the NVRI and lead counsel for the plaintiffs, who also include two Missouri voters. 'This matter involved serious charges against the attorney general's 2000 Senate campaign committee and his leadership PAC.'

The case revolves around a February 2001 Washington Post report that the Spirit of America PAC, Ashcroft's leadership committee, had contributed a fundraising list containing 100,000 donor names to Ashcroft's Senate committee, thus making an illegal contribution.

In 2001, an Ashcroft aide told the Post that 'all activities involved in handling the list were in accordance with FEC guidelines.'

The FEC does not comment on pending legal matters.

No Leftovers. Ex-Sen. Bob Smith (R-N.H.) just can't seem to catch a break.

After losing his re-election battle in a primary last fall, the former Senator decided to form a charitable organization called the American Patriot Foundation. Recently, he asked the FEC if he could transfer \$60,000 in leftover campaign funds to the group.

But it looks like the FEC will be nixing his plan.

In a proposed advisory opinion on this, which the commission is set to vote on Thursday, the FEC states that because Smith had tried to refund the \$60,000 in excess contributions to the original contributors - the checks were never cashed, leaving the money in his campaign coffers - he has to return it to Uncle Sam.

Although FEC rules 'do not specifically address the situation where an attempt to refund contributions proves unsuccessful,' the draft opinion finds that 'in analogous circumstances the regulations require disgorgement to the United States Treasury.'

'Therefore, the [campaign] must deliver to the [FEC] a check in the full amount of the designated contributions payable to the Treasury of the United States,' the opinion states.

- Amy Keller

CIVIL RIGHTS:

Detroit Cop Reform Launched (Detroit News)

Federal watchdog takes over today, says five-year oversight plan will top \$6 million

By David Shepardson and Darren A. Nichols

The Detroit News, July 23, 2003

DETROIT -- The court-appointed federal monitor of the Detroit Police Department said Tuesday that her office expects to spend at least \$6.25 million over the next five years to oversee an extensive reform of the 4,100-officer force.

Sheryl L. Robinson of Kroll Associates begins her tenure today as monitor of the police department under two agreements, known as consent decrees, between Detroit and the U.S. Justice Department to change the department's practices and policies.

The consent decrees, which were approved Friday by U.S. District Judge Julian Abele Cook Jr., call for improvements in the conditions of the department's holding cells for prisoners; the department's use-of-force policy; the training of officers; and how the department treats witnesses of crimes.

"This will be a very difficult process for DPD," Robinson told Cook. "There are some very stringent time lines in the documents, and our role will be to help facilitate change."

Robinson's start date coincides with the anniversary of the 1967 Detroit riots -- an "ironic symmetry" because the riots started after a police raid on an after-hours club, Councilwoman Sheila Cockrel said during a meeting the council had Tuesday with Robinson.

Robinson, a former federal prosecutor, is managing director of the Washington office of Kroll Associates, which also monitors the reform of the Los Angeles Police Department. The company previously helped oversee the federally mandated reform of the Teamsters union.

"We have to find what we're going to do in Detroit," Cockrel said. "(Robinson) has to let everybody show their hand before she can determine who's playing what kind of role in complying or not complying."

Robinson told City Council she would first meet with the parties and set standards for compliance for every paragraph of the consent decrees.

"There will be no surprise about what compliance is in the middle of the process," Robinson said. "What we're going to do is everything we can to make the department much better so that no one is saying anymore this is the worst police department."

In a recent interview with The Detroit News, U.S. Attorney Jeffrey G. Collins Jr. agreed that the federally overseen reform would take a lot of work. Collins called the consent decrees "a sledgehammer" that would ensure long-lasting improvements in the police department.

Collins said the city hadn't made much progress since his office sent three letters between March and June of 2002 that outlined more than 150 problems in the department. The letters were intended to put the city on notice of the significant problems.

"It (reform) is still in the early, embryonic stages," Collins said. "This agreement will hopefully be the turning point in which you will be able to start measuring results."

"If you want to have actual reform, having the court oversight, having the monitor -- this is the vehicle with the most teeth."

The Police Department must submit a report by Nov. 15 outlining its progress in implementing the reforms. Robinson is to file her first quarterly progress report with U.S. District Court in October.

Robinson will present her budget proposal to Cook early next month, and then the Justice Department and city will be able to raise objections to it. She said the proposal would be \$1.25 million a year plus expenses.

Robinson told the council the amount is less than her firm first calculated it would cost -- and less than the \$11 million Los Angeles will pay over the next five years.

Her monitoring team will have a Web site and an office in Detroit, but neither has been set up yet, she said. Robinson didn't specify the size of her staff, but said it would be less than 30.

Cook said he was optimistic about the chances for the success of the reform effort.

"We are on the road to making Detroit a great city once again," Cook said Friday. "I ask those of you who are in the community to be patient as we collectively work forward -- look forward to resolving these problems."

But Ron Scott, a member of the Coalition Against Police Brutality, said citizens groups such as his are not being given a big enough role in the reforms.

"In terms of participation with the community, that was an afterthought," Scott said. "But for the people who fought for this, there would be no investigation. I'm kind of disappointed and frustrated that the technical apparatus is being set up, but the human apparatus is not."

A spokeswoman for police Chief Jerry A. Oliver Sr., Deputy Chief Tara Dunlop, said the department has made progress since it received the letters from Collins last year.

Oliver has said that the city agrees with all of the proposed changes and has been operating since June as if the consent decrees had already been approved.

Detroit Council Questions Police Monitor (DFP)

By Erik Lords

The Detroit Free Press, July 23, 2003

Sheryl Robinson, the federal monitor who will oversee the court-ordered reform of Detroit's beleaguered police department, will soon have a lot of questions for top police officials.

But on Tuesday, it was Robinson providing the answers as she was questioned for an hour by the Detroit City Council about everything from her role in the reform effort to how city officials will be able to track progress and how citizens will be involved.

Robinson's appearance before the council was mandated by U.S. District Judge Julian Cook last week. She begins her job today.

"As far as the judge was concerned, it was essential that she met with the council because city government means the mayor and the council," council president Maryann Mahaffey said.

The council has fought hard to make sure it was involved in the city's consent decrees with the U.S. Department of Justice over police brutality.

Robinson, of the New York-based risk consultant company Kroll Associates, will provide technical assistance to Detroit police and issue periodic reports on reform efforts.

Robinson said she and her staff will not hold public hearings, but will attend forums throughout the city that address concerns about the police department.

During the five-year process, Robinson's role will be to make sure the police department complies with federal court orders about treatment of prisoners and lethal force.

Councilwoman Sheila Cockrel said she wants Oliver to address the council next week to see exactly which officers will work most closely with the monitor.

The federal civil rights investigation into the Detroit Police Department began after Free Press reports on fatal police shootings of civilians prompted then-Mayor Dennis Archer to ask the Justice Department for help.

Biased Justice Report Slammed Training Schools, Lawmaker Says (AP)

By Matt Volz

The Associated Press, July 23, 2003

RAYMOND, Miss. - A Justice Department report that found a pattern of physical abuse at Mississippi's two juvenile training schools was shabbily prepared and possibly politically motivated, a state legislator charged Tuesday.

Rep. George Flaggs, chairman of the House Juvenile Justice Committee, made the allegations during a tour of the 300-student Oakley school southwest of Jackson and the 200-student Columbia school in Marion County.

"It is grossly unfair for us to expect your agency to supervise so many children and then underfund it," Flaggs told Willie Blackmon, the head of youth services for the state Department of Human Services, who conducted the tours.

The Justice Department said adolescents at the training schools had been hogtied, chained to poles and forced to eat their own vomit. The findings were based on interviews conducted with students and employees last year. The 48-page document said the schools had too many unfilled jobs.

DHS's response to the Justice Department, released by Flaggs, addressed each issue raised. The response, submitted a week ago, said some of the challenged practices had been discontinued or modified.

Blackmon said DHS had hired an external auditor on July 1 to assess both schools and to make recommendations. He said internal auditors would make continuous assessments, and a new post had been established to investigate and respond to abuse reports.

The tour, which included Flaggs, state Rep. Walter Robinson (D-Bolton), DHS officials and an entourage of reporters and photographers, inspected buildings but did not speak directly to the juveniles, called cadets.

Journalists were shown a clean campus lined with a mix of old and new brick buildings.

Asked after the tour why he accused the Justice Department of acting for political reasons, Flaggs (D-Vicksburg) said the report was designed for its shock value. He said its release appeared timed to hurt the administration of Gov. Ronnie Musgrove, a Democrat who is seeking re-election.

Musgrove is expected to face Republican Haley Barbour in November.

"Well, one of their good guys is running for governor of this state," Flaggs said of the Bush administration. "Haley mentioned he's got some connections in Washington, so he's probably using some of them to make Mississippi look bad so that he can clarify what he is saying - that he can do better."

Barbour spokesman Quinton Dickerson said only that "Representative Flaggs's accusation is ridiculous." The Justice Department did not immediately return calls seeking comment.

Flaggs said DHS leaders told the 2003 Legislature the training schools faced serious problems without money for adequate staffing. He said as committee chairman with oversight over the institutions, he took responsibility for what took place "under my watch."

The Legislature must also take some responsibility for failing to solve the staffing crisis, Flaggs said.

Blackmon said Oakley had a 40 percent staff vacancy rate, while Columbia was 19 percent understaffed.

DHS, which is operating in a deficit, was budgeted for \$375 million - including \$76 million in state funds - for this fiscal year. It is up to the agency director to allocate money to individual programs, such as the training schools.

Three top administrators were taken off their jobs at Columbia and Oakley following release of the report and given paid, off-campus duties while the state conducts its own probe.

Most students live in cottages that each house up to 30 of the T-shirt and fatigue-dressed cadets. Those considered a security risk are housed in a 265-bed medium security building and wear green jumpsuits and flip-flops.

Blackmon said only about 100 of the medium security beds are being used now because of the staffing shortage.

'Peace Ambassadors' Walk Inglewood Before Police Trial Verdict (AP)

By Brian R. Bland

The Associated Press, July 22, 2003

INGLEWOOD - Hoping to avoid a repeat of the 1992 Los Angeles riots, hundreds of "peace ambassadors" are preaching nonviolence as they await a verdict in the trial of a white police officer accused of assaulting a black teenager.

As many as 1,500 young volunteers in gold T-shirts have been walking door-to-door, passing out leaflets and signs reading "peace after the verdict," Mayor Roosevelt Dorn said at a news conference Tuesday.

They were organized by a coalition that includes the federal Justice Department, Los Angeles police, the Los Angeles County Human Rights Commission and at least a dozen churches and other groups.

"There is absolutely no reason whatsoever, no matter what the verdict turns out to be, for any form of violence," Dorn said. "That is not the answer, never has been the answer, never will be the answer."

Peace plans have been in the works for nearly a year in this southern Los Angeles suburb, which is heavily black and Hispanic and struggles with crime and poverty.

On July 6, 2002, Inglewood police Officer Jeremy Morse was caught on videotape slamming handcuffed Donovan Jackson, 16, onto the trunk of a police car, then punching him in the face. The incident drew angry protests and calls for investigation.

Morse, who has been fired, said the punch was a reaction to the youth grabbing him by the groin. He is on trial, charged with assault under color of authority. His former partner, Officer Bijan Darvish, is charged with filing a false police report. Morse, 25, and Darvish, 26, each could be sentenced to three years in prison if convicted.

In 1992, riots broke out across Los Angeles County after a jury acquitted four white Los Angeles policemen of state charges in the videotaped beating of motorist Rodney King. The four days of violence killed 55 people, injured more than 2,000 and caused \$1 billion in property damage. Two of the officers later were convicted of federal civil rights charges and went to prison.

Inglewood's mayor said it is up to the community to set an example of peace and love.

Kalid Shah, executive director of Stop the Violence-Increase the Peace Foundation said volunteers will take that message to the streets immediately after the verdict.

"We plan...to set the tone for peace," Shah said.

In addition, an evening prayer vigil will be held at City Hall, and a dozen churches have pledged to be open as potential sanctuaries in case of trouble.

Shah and other coalition leaders say their work will continue after the trial, with the aim of stopping the gang violence that plagues the community.

The leaders said they eventually hope to take the concept nationwide.

Obscenity Law In Ohio Targeted By Lawyer (WTimes)

By Frank J. Murray

The Washington Times, July 23, 2003

A lawyer who specializes in defending the distribution of sex images, including by Larry Flynt's Hustler magazine, has moved to overturn Ohio's obscenity law on the basis of the recent Supreme Court decision legalizing homosexual sodomy.

"Practically all choices made by consenting adults regarding their own sexual practices [are] a matter of personal liberty and thus beyond the reach of state control," H. Louis Sirkin told Common Pleas Judge Richard A. Niehaus in Cincinnati in presenting his view of the Supreme Court's 6-3 June decision in *Lawrence v. Texas*.

Judge Niehaus reserved decision on Mr. Sirkin's 15-page motion and allowed the trial of Shawn Jenkins of Cincinnati to enter a second day yesterday. Mr. Jenkins was arrested in October 2001, but an earlier trial had been postponed after he arrived at court drunk two days in a row.

Mr. Jenkins faces up to a year in prison on one count of pandering obscenity at his Tip Top Magazines store, where an undercover sheriff's deputy, Sgt. Matt Guy, bought the videotape titled "Maximum Hardcore Extreme, Vol. 7."

Citing what the law calls a "due process right to privacy," Mr. Sirkin noted high court references to bedrooms and sanctity of the home in the sodomy decision and other rulings - including on abortion, contraception and parental rights.

This, he asserted, must include that the right to own obscene material at home includes a right for others to sell such materials. The suit is among the first to reach beyond homosexual issues in using the high court's June 26 decision barring states from criminalizing "sexual practices common to a homosexual lifestyle."

"[Those rights] have moved out of the marital bedroom and into the public sphere of commercial interactions and private interactions between consenting adults," Mr. Sirkin said, citing Justice Antonin Scalia's analysis that the sodomy decision calls into question state laws against obscenity as well as bigamy, homosexual "marriage," adult incest, prostitution, masturbation, adultery, fornication and bestiality.

Hamilton County prosecutor Mike Allen told The Washington Times in a telephone interview yesterday that he expects the motion to fail, but that he takes it seriously because it had been filed by Mr. Sirkin, whose most recent high-visibility case was his persuading the high court last year to strike down the Child Pornography Prevention Act of 1996.

"It's our position that [the ruling] doesn't apply to the seller in obscenity prosecutions," Mr. Allen said. Mr. Jenkins, he said, runs a store that sells videos and is not a purchaser viewing them at home.

"I can't remember the last time in this county a person was prosecuted for owning an obscene videotape. It's the person who's selling or distributing, or pandering, if you will." This suggests that Mr. Sirkin is distorting the sodomy ruling.

"It's not surprising that Lou would be the first to invoke it because this is his area of expertise. We respect Mr. Sirkin's legal acumen, but the Texas sodomy decision just is not applicable."

The prosecutor said the Tip Top arrest was the fruit of an investigation by the office of Sheriff Simon Leis Jr., a former prosecutor who throughout his career has pursued Larry Flynt, often encountering Mr. Sirkin as the pornographer's defense lawyer all along the way.

Mr. Sirkin argued in court that the videotape, which does not feature homosexual activity, is not obscene. As is usual in obscenity cases, a jury will decide whether the material violates community standards of decency.

On Monday, assistant prosecutor Brad Greenberg told the jury that the \$15 videotape qualifies. "Everybody has a normal, healthy interest in sex, but ... this crosses the line."

By raising the federal constitutional issue at trial, Mr. Sirkin preserved the right to appeal through the Ohio courts and all the way to the U.S. Supreme Court should Judge Niehaus turn him down, as Mr. Allen predicts he will.

ANTITRUST:

House Media Vote Signals A Fight Over Ownership (WSJournal)

By DAVID ROGERS and YOCHI DREAZEN

The Wall Street Journal, July 23, 2003

WASHINGTON -- The escalating fight over media-ownership rules is on a path now that could lead to the first veto confrontation between President Bush and the Republican-controlled Congress.

The White House drew the lines more sharply Tuesday with written veto threats. But Mr. Bush faces strong bipartisan opposition to last month's Federal Communications Commission decision raising the cap on how many local television stations can be owned by a single company, to 45% from 35% of the national audience.

The House voted 254-174 Tuesday night to let stand that portion of the FCC ruling that would also make it easier for companies to own newspapers and TV stations in the same market. But the Republican leadership, lacking the support, made no attempt even to strike an accompanying provision barring any relaxation of the national ownership cap.

FCC allies, like House Energy and Commerce Committee Chairmen W. J. "Billy" Tauzin (R., La.), are betting veto threats alone will kill the amendment in final negotiations with the Senate. But Sen. Judd Gregg (R., N. H.), a strong Bush ally who will manage the bill in the Senate, warned that this could be a gamble that the administration loses.

Mr. Gregg said the narrow focus on preserving the 35% cap made a budget amendment easier to accept, and much as Mr. Bush would be favored to win a veto fight, he could find that the issue is wrapped into a must-pass omnibus spending bill that would be harder to kill.

"I think it could make it through the system when all is done because it's in a bill too big to veto," Mr. Gregg said.

Within the broadcast industry, the caps issue has divided local affiliates and the major networks, even as a remarkable cross section of liberal and conservative groups have united in opposition. The coalition runs from the National Organization of Women to the Christian Coalition and National Rifle Association, and plays on resentment of the major networks.

"We meet at neutral sites," joked Gene Kimmelman of Consumers Union, who questioned if Mr. Bush would carry through on the threats and veto "a bill that should prevent TV networks from piping more violent or raunchy television programs into the homes of consumers."

If enacted, the provision would hit Viacom Corp. and News Corp. both of whose broadcast networks own affiliates reaching more than 35% of the country and would have to sell a few stations if the bill becomes law.

In the Senate Appropriations Committee, Chairman Ted Stevens (R., Alaska) and Sen. Ernest Hollings (D., S.C.), who will manage the FCC budget bill with Mr. Gregg, are outspoken opponents to the June ruling, and their support makes it likely some language reversing the FCC will make it into the Senate bill.

Sens. Stevens and Hollings are already testing the waters with a stand-alone bill that reverses the new rules outright. The Senate Commerce Committee passed such a bill last month overwhelmingly, and it now has 43 cosponsors. And former

Republican Leader Trent Lott of Mississippi has proposed that lawmakers strike first by invoking a rarely used congressional veto that allows majorities in both houses to overturn regulatory decisions.

As adopted, the House rollback is part of a much larger \$41.2 billion bill funding the Departments of State, Commerce and Justice as well as the FCC and other regulatory agencies. Fast on the heels of passage, Republicans expect to take up a \$17.2 billion foreign-aid budget.

Almost \$1.8 billion would be cut from Mr. Bush's aid requests. Two top priorities -- Millennium Challenge grants that reward nations with aid for taking steps toward democracy, and fighting AIDS in Africa -- must compete for the remaining funds. In his recent trip to Africa, Mr. Bush cast the Millennium initiative as important to poor countries there as well, but few may qualify given the tough standards set. Members of the House Black Caucus are proposing Wednesday to cut as much as \$500 million and add the same funds to the AIDS battle.

Republicans Are Adding Weight To Reversal Of FCC Media Rule (NYTimes)

By STEPHEN LABATON

The New York Times, July 23, 2003

WASHINGTON, July 22 - Until recent days, the nation's largest media conglomerates had hoped that the House of Representatives would kill the growing political efforts to overturn their recent deregulation.

But in a stunning political development, the House now appears poised to support the reversal of a new rule that permits the nation's biggest TV networks to grow even larger.

The House began debate today on a spending measure that contains a provision that would overturn the new network ownership rule. Both supporters and critics of the rule say that the measure has broad bipartisan support and is likely to be approved this week.

Because a Senate committee recently approved a similar measure by a broad bipartisan majority, the movement in the House increases the likelihood that Congress will reverse at least some key elements of the new media ownership rules adopted last month by the Federal Communications Commission. In recent days, the White House has publicly joined the debate, saying that advisers have recommended that President Bush veto the legislation if it is passed by both houses.

Such a veto could be overridden by two-thirds of the voting members of the House and Senate.

The growing political movement to reverse the rules is remarkable at a time when Washington's major political institutions and federal courts have been dominated by deregulatory thinkers. It was assumed that the House would defend the new rules and block any effort to change them. But that changed last week when 11 Republicans deserted their leaders to join with the 29 Democratic committee members to approve the measure in the legislation on the floor of the House tonight.

That decision came in response to a groundswell of criticism to the new rules by a broad coalition of liberal and conservative organizations that raised concerns about media companies growing too large. The groups include the National Organization for Women, the National Rifle Association, the United States Conference of Catholic Bishops and organizations representing Hollywood writers and independent producers.

The new media ownership rules, adopted by a bitterly divided F.C.C., are among the most significant deregulatory steps undertaken during the Bush administration. They relax many of the most significant restrictions on the ability of broadcast and newspaper conglomerates to both expand into new markets and extend their reach in the cities where they already have a presence.

The House measure would reverse one of the most significant new rules. The commission had ruled that a network could own television stations that reach up to 45 percent of the nation's viewers, an increase from 35 percent. The House measure would restore the old 35 percent limit by prohibiting the commission from spending any money to permit the transfer of a broadcast license to any company above that limit.

Today, the House rejected an amendment by two Democrats, Maurice D. Hinchey of New York and David E. Bonior of North Carolina, that would have reversed two other new media ownership rules. Those rules would make it easier for a company to own a newspaper and a broadcast station in the same city and allow a company to own more TV stations in the same market.

The House voted 254 to 174 to defeat the amendment after some members said they supported it in principle but urged their colleagues to vote against it on tactical grounds. They said they feared that if the amendment were adopted, the bill would not pass by a veto-proof margin.

Despite its defeat, the move toward reversing the network ownership rule is a significant political blow to both House leaders and the chairman of the F.C.C., Michael K. Powell. Mr. Powell, an architect of the deregulatory effort, is on vacation, and the commission's top spokesman, David Fiske, said he would have no comment on the day's events.

The commission voted 3 to 2 along party lines last month to make the most far-reaching changes to the media rules in a generation. The new rules were heavily promoted by media conglomerates, some of which urged the commission to go even further, and against a flood of comments from hundreds of thousands of people who opposed the changes.

House leaders, recognizing that they faced an embarrassing defeat if they made an issue of the network cap provision on the floor, decided to let it pass with the hope that it could be stripped when the measure is reconciled with the version of the spending bill adopted by the Senate. Such hope may be futile, however, because one of the chief sponsors of a similar measure reversing the new F.C.C. rules is Senator Ted Stevens, the Alaska Republican who heads the Senate Appropriations Committee.

The media ownership provision is part of a \$37.9 billion spending bill that finances the Justice, State and Commerce departments.

There was little discussion today over the provision to restore the national television cap to 35 percent.

But a sharp debate was prompted by the amendment proposed by Mr. Hinchey and Mr. Price to reverse the two other new rules.

"Restoring these previous rules is essential to preserving the localism, diversity and competition in our airwaves - standards that are needed for a vibrant democracy," Mr. Price said.

But the amendment drew widespread opposition from some members on tactical grounds and others for substantive reasons.

Reflecting the apparent view of a large number of Democrats, Representative David R. Obey of Wisconsin, the ranking Democrat on the appropriations committee, said he supported the amendment in principle but urged his colleagues to oppose it for fear that it would weigh down the legislation and put a veto override at risk.

"I oppose everything the F.C.C. did," said Mr. Obey, the chief sponsor of the measure restoring the network ownership cap to 35 percent. "But the problem is you have to make intelligent decisions as to how much you can bite off."

He added, "We are taking on the media giants of this country, and when you do that, you better doggone make sure you have the votes. This is a killer amendment. It will break the camel's back."

Other senior Democrats agreed.

"On substance, they are correct, but the perfect good is the enemy of the good," said Representative John D. Dingell, Democrat of Michigan. He said that the reversal of other new F.C.C. media rules could be accomplished by other legislation.

And a number of Republicans said they opposed the proposal because it represented a step backward.

"This amendment would stop in its tracks the reasonable deregulation of the rules," said Representative Billy Tauzin of Louisiana, the chairman of the Energy and Commerce Committee.

Repeating one of the main justifications offered by the F.C.C. for the new rules, Mr. Tauzin said that the Hinchey-Price amendment would lead to the elimination of free over-the-air television.

House May Block Part Of FCC's Media Plan (WPost)

By Jonathan Krim and Christopher Stern

The Washington Post, July 23, 2003

The House moved closer last night to blocking the Federal Communications Commission from allowing television station ownership to be concentrated in fewer corporate hands. The vote, expected today, would be a slap at the House leadership, which had struggled to keep its members in line and support the FCC.

But the Republican majority, with help from many Democrats, thwarted an effort to derail the FCC's plan to allow more newspapers and television stations in the same locale to be owned by the same company.

The result is that the most dramatic and controversial changes in media-ownership rules in a generation are likely to be scaled back, though probably not as much as an array of citizen groups and several Democrats had sought. Still, an outcome that scraps any part of the new FCC rules would be a rare defeat for the disciplined GOP and the White House, which had hoped the new rules pushed by the Republican FCC chairman, Michael K. Powell, would sail through.

Under the expected House vote, the FCC could not proceed with its plan to allow a single media company to own enough television stations to reach 45 percent of the national audience. Instead, the cap would revert to the 35 percent figure in place before the FCC issued new rules early last month.

Assuming the House votes as expected, the action would move back to the Senate, where the Commerce Committee already has passed a bill to roll back the TV-ownership cap. The bill also would limit the FCC's relaxation of rules governing combined newspaper and television ownership, setting up a potential battle in a conference committee if the full Senate approves the measure.

Spokesmen for key GOP House leaders were unconcerned, and said they think they can even restore the 45 percent cap in conference negotiations. They argue that with the GOP controlling both houses of Congress, it is unlikely that a bill that President Bush might veto would get passed.

"Republicans control this place and the last thing they are going to do is embarrass this president," said John Scofield, communications director of the House Appropriations Committee.

Opponents of the television-ownership change say it would lead to further erosion of local control and diversity of news and ideas in an industry that already is dominated by a handful of mega-corporations. The FCC has argued that in the age of the Internet and hundreds of channels of cable and satellite television, the old ownership rules made no sense.

Bush has not commented directly, but a statement from the Office of Management and Budget said the administration supports the new rules, and the president's advisers would counsel him to veto a bill that changed any of them.

But Democrats and consumer activists were similarly confident.

They noted that many Republicans, especially from rural areas where one or two media outlets dominate the landscape, support scaling back the FCC television cap. And they seemed to relish the prospect of Bush vetoing a measure that has strong public support.

"The fact that the House is passing [a reduced] national cap opens the door for the Senate to combine other measures that are stronger and to challenge the White House," said Gene Kimmelman, director of public policy for Consumers Union.

Nonetheless, many sympathetic House Democrats were sufficiently wary of the GOP's power that they helped kill an amendment by Reps. Maurice D. Hinchey (D-N.Y.), and David E. Price (D-N.C.) that would have reversed the newspaper-television cross-ownership rule.

Senior Democrats such as Reps. John D. Dingell of Michigan and David R. Obey of Wisconsin convinced many of their colleagues that too many Republicans who had bucked their leaders and supported the television-cap rollback would abandon the bill if the newspaper provision also passed, leaving them with nothing.

Indeed, the tactical debate among sparring Democrats was some of the most impassioned of the day.

"A monopoly of ideas is more destructive to our democracy than a monopoly of money," said a hoarse Rep. Jay Inslee (D-Wash.), who urged his colleagues to support the Hinchey-Price amendment.

Rep. Edward J. Markey (D-Mass.) said the newspaper-television rule "is the worst decision ever made in the history of the Federal Communications Commission."

Obey said that he, too, opposed allowing more combined newspaper-television ownership. But "I want this bill to get 290 votes, so that there can be an override" if the president vetoed the bill, he said.

"I want the president of the United States to do that," retorted Rep. Bernard Sanders (I-Vt.). "But he is smart enough not to do that."

Rep. Barney Frank (D-Mass.) said it would be difficult for a conference committee to strip out the television ownership cap because it is in both bills. "They may have some trouble passing a conference board report without this," he said.

The media-ownership battle has been raging almost from the moment Powell signaled his desire last year to update the rules to better reflect the Internet age.

Armed with court rulings that demanded better justification for ownership caps, and a congressional mandate to review the rules periodically, Powell set out on a path of deregulation.

Large newspaper companies and television networks support the changes, while many smaller broadcasters oppose them.

Meanwhile, a bipartisan grass-roots campaign, orchestrated in part by Democratic FCC commissioner Michael J. Copps, the Christian Coalition of America and other conservative groups, sought to pressure the three-member Republican majority on the FCC to keep the old rules.

But the effort failed.

'Big' Isn't 'Bad' (WSJournal)

Op-ed by BOB WRIGHT

The Wall Street Journal, July 23, 2003

Unfortunately, public discourse on important issues sometimes becomes untethered from fact and reason. Such is the case with the response to the Federal Communications Commission's expansion of the national television station ownership cap, which would allow a single entity to own stations that have a potential reach of 45% rather than 35% of the national TV audience.

Rep. David Obey (D., Wis.) expressed the sentiments of many recently when he said: "I don't want ownership factors to get in the way of districts like mine from being able to have their own cultural attitudes." But the FCC's modest adjustment of ownership rules does not mean the silencing of local voices under the weight of monolithic media companies. On the contrary, the record shows that local voices, as measured by the amount and quality of local news and public-affairs programming, increase when networks such as NBC take operating control of television stations.

Views such as Rep. Obey's reflect a politically convenient populism that equates "big" with "bad." There are a number of mistaken assumptions at work here: 1) that the corporate parent of a broadcast station dictates its point of view or "cultural attitude"; 2) that the alternative to a station's being owned by a broadcast network is ownership by a mom-and-pop enterprise with offices above the five-and-dime on Main Street; 3) that such a small owner is better able to present a distinctive "voice" in the community than is a large media company.

In fact, the location of a media company's home offices has nothing to do with its "voice." Station owners are in the business of appealing to their local audiences. They do that by serving their communities the best way they know how. In NBC's case, this means providing a local station with superior newsgathering and technical resources that enable it to enhance and extend its local programming. This is good for the community, and it is good business. A smaller owner, with more limited resources, is all too often forced to jettison expensive local news coverage in favor of less expensive programming imported from national syndicators.

Moreover, if a broadcast network is prohibited from owning a station in a desirable market, the owner is unlikely to be a small, locally based company. It will instead be a large, diversified media company like Belo, Gannett, Hearst-Argyle, Scripps, or the Washington Post. It defies logic to claim that, in the name of "localism," the \$6 billion Gannett Co., the Arlington-based owner of 100 daily newspapers and 22 television stations, should have freedom to expand its TV stations business but NBC, ABC, CBS, and Fox should not.

One more point that is lost in this debate: The FCC's rules are based on theoretical audience reach -- measured by each station's antennal signal coverage -- not actual viewership. This is like measuring Ford's market share by the percentage of Americans within driving distance of a dealership -- regardless of how many cars Ford actually sells! According to the FCC, NBC has a theoretical national reach of 34% of the nation's households. But our actual national viewership, during prime time, when we have the largest audience, is less than 3% -- nowhere near the 40% market share that is the normal threshold to trigger market-concentration worries. An expansion of the national cap to the FCC's 45% limit would, at best, allow us to increase that by a point or two.

This is hardly a big move. But it is significant, particularly for viewers. Because one thing it would allow us to do is purchase additional stations for our Telemundo network, thus adding many hours of Spanish-language newscasts in key markets that currently underserve their Hispanic residents.

The be-all, end-all of local broadcasting is forging a connection with a particular community's distinctive audience. The general managers in charge of our stations wake up every day committed to that mission. To us, it's the only way to run a television station -- and the feedback we get in the form of ratings tells us that the public thinks we do a good job. Nonetheless, big media makes an attractive target. Unable to resist, some members of Congress are jumping on a populist bandwagon and seeking to keep the FCC's new rules from taking effect. However, it would be a disservice to their constituents for Congress to restrict business activity that has such demonstrable public benefits.

Who controls the public airwaves is a legitimate area of congressional interest. But as with any important issue, Congress should base its actions on fact, not fiction.

Mr. Wright is vice chairman of GE, and chairman and CEO of NBC.

Watchdog Asks Justice Dept To Block Oracle (CNETNews)

By Alorie Gilbert

CNET News.com, July 22, 2003

Oracle's attempt to acquire PeopleSoft is under attack by a conservative legal action group that is urging federal antitrust regulators to block the deal.

The National Legal and Policy Center (NLPC), a nonprofit based in Washington, D.C., has asked the U.S. Department of Justice, which is now reviewing Oracle's hostile \$6.3 billion bid for the rival software company, to stop the deal, the group said Tuesday.

The proposed merger of Oracle, the second-largest maker of business automation applications, according to market analysts, and PeopleSoft, the third largest in the market, "clearly violates federal antitrust laws," Kenneth Boehm, chairman of the NLPC, said in a statement. Combined, Oracle and PeopleSoft are still smaller, however, than SAP, a competitor with the largest share of the market.

"This attempted hostile acquisition would significantly reduce competition in large enterprise applications, inflict severe financial damage on PeopleSoft customers who have heavily invested in the company's software applications, and inappropriately pressure the 40 percent of PeopleSoft customers who use database products from IBM and Microsoft to switch to Oracle," the group's letter to the Justice Department stated.

Oracle's unsolicited bid for PeopleSoft, launched last month, is under review by the Justice Department and by as many as 30 state attorneys general. The antitrust scrutiny grew more intense last month, when the department extended its initial review of the deal with a second request for information. The state of Connecticut has filed an antitrust suit against Oracle, and PeopleSoft has hired a renowned antitrust lawyer to help it fend off the bid.

Oracle maintains that its plans will not harm competition and that they are an inevitable part of a rapidly consolidating industry.

The NLPC, founded in 1991, says it promotes ethics and accountability in government and business. The group distributes a newsletter called Union Corruption Update, which scrutinizes organized labor. It receives funding from 3,000 individual donors as well as conservative groups, including the John M. Olin Foundation and the Scaife Foundations, Boehm said.

Dana Board Rejects ArvinMeritor Offer (AP)

The Associated Press, July 22, 2003

TOLEDO, Ohio - Dana Corp. said Tuesday its board of directors has rejected an unsolicited tender offer from rival auto parts maker ArvinMeritor, Inc.

ArvinMeritor, a Troy, Mich.-based supplier of shocks, struts, suspensions and exhaust systems, had offered \$15 per share in cash for all outstanding shares of its larger competitor.

ArvinMeritor launched the \$2.2 billion takeover bid for Dana on July 9. Assuming Dana's debt and other minority interests would increase the total value of the deal to \$4.4 billion, ArvinMeritor said.

Dana's board said ArvinMeritor's offer was financially inadequate and a high-risk proposal that would reverse Dana's restructuring efforts to slim down. It recommended that shareholders not tender their stock.

The board also said significant financing risks and antitrust concerns could prevent completion of such a deal.

"There is virtually no rationale for accepting this offer, which represents inadequate value and a high level of risk for shareholders," said Dana Chairman and CEO Joe Magliochetti. "This is just a move to become bigger not better."

Magliochetti said Dana has sold \$540 million in assets since 2001, including part of its engine parts business last month, and isn't interested in becoming any larger.

He said antitrust laws also could be broken because both companies control large market shares in commercial vehicle parts.

ArvinMeritor said it remains committed to the transaction and "may be prepared to analyze further whether a higher value is warranted."

"Our offer permits Dana's shareholders to realize an attractive cash offer for their shares today without bearing the risks of Dana's long-term restructuring efforts," ArvinMeritor said.

Also on Tuesday, Dana reported second-quarter earnings of \$52 million, or 35 cents a share. That matches the \$52 million in earnings the company posted for the same three-month period of 2002. Net sales fell to \$2.54 billion from \$2.58 billion.

Dana shares closed at \$15.28, up 4 cents, and ArvinMeritor closed down 26 cents at \$18.59 Tuesday on the New York Stock Exchange.

Toledo-based Dana had sales of about \$10 billion in 2002 and employs more than 60,000 people worldwide. ArvinMeritor had nearly \$7 billion in revenue in 2002 and employs 32,000 employees at 150 plants in 27 nations.

ArvinMeritor's chairman and chief executive, Larry Yost, has said combining the companies makes sense in the increasingly competitive and global automotive supply business. Automakers, facing sluggish sales and a glut of manufacturing capacity, are pressuring suppliers to reduce costs.

The combined company still would be smaller than parts makers Delphi and Visteon, which Fortune magazine said had revenue last year of \$27 billion and \$18.4 billion respectively.

Dana Unlikely To Reconsider ArvinMeritor Bid (FT)

By Jeremy Grant

The Financial Times, July 22, 2003

Dana Corporation, one of the largest US automotive parts makers, on Tuesday said it was unlikely to reconsider its rejection of a hostile \$15 per share cash bid from rival ArvinMeritor, even if ArvinMeritor were to raise its offer.

Joe Magliochetti, Dana chief executive, said there was "virtually no rationale for accepting" the bid which, including the assumption of Dana debt, is valued at \$4.4bn.

Asked whether Dana might reconsider if ArvinMeritor were to improve its offer, he said: "Not really, we just don't see the benefit [of a deal] to shareholders."

ArvinMeritor made its offer 10 days ago promising to create a powerhouse in undercarriages and drivetrains for cars and commercial vehicles. It said at the time that it was prepared to raise its offer.

Industry analysts say the parts industry would benefit from further consolidation, but have expressed doubts over the likely level of indebtedness of a combined ArvinMeritor-Dana.

However Mr Magliochetti said of the bid: "It's a 'bigger' not 'better' idea. I don't think this is a consolidation solution here. It might represent a rescue plan for ArvinMeritor and their issues."

ArvinMeritor responded to Dana's rejection by saying it was still committed to its bid. "We believe that Dana's cites a litany of manufactured reasons to oppose this combination," it said. Dana said restructuring efforts that have been underway at the company since October 2001 had resulted in improved earnings. Releasing its second quarter earnings, Dana said it had earned 35 cents a share, compared to analysts' consensus of 31 cents.

The earnings figure was about level with the same period a year ago, in spite of a 4 per cent fall in revenues.

Mr Magliochetti said Dana's restructuring was "mostly behind us" and that investors would see "the full benefit" of it in the fourth quarter. "The most important thing is we've already expensed all the restructuring," he said.

Mr Magliochetti said ArvinMeritor's attempts to bring the two companies together contained "flawed logic" because it would result in a group spread too thinly across a range of product lines.

He also said that it appeared ArvinMeritor had not yet finalised the financing for the deal, which ArvinMeritor has said is conditional on its ability to complete the necessary financing.

Dana also repeated its accusation that ArvinMeritor's bid raised "serious antitrust issues" surrounding a combined group's dominance in the axle business. On Monday, ArvinMeritor dismissed any suggestion that possible competitive issues would be an obstacle to its bid.

ArvinMeritor: Committed To Acquiring Dana Corp (Dow Jones)

Dow Jones Newswires, July 22, 2003

TOLEDO, Ohio (Dow Jones)--Dana Corp. reported relatively flat second- quarter earnings and revenue, as the company's board rejected a \$2.2 billion hostile takeover bid from smaller rival ArvinMeritor Inc.'s .

Auto parts maker Dana also reiterated its 2003 guidance and issued a 2004 earnings estimate above analysts' consensus view.

In a press release Tuesday, the company said earnings for the second quarter were flat at \$52 million, or 35 cents a share, while sales slipped 1.4% to \$2.54 billion from \$2.58 billion last year.

Earnings for both periods included losses from discontinued operations. Excluding these items, earnings from continuing operations decreased to \$55 million, or 38 cents a share, ahead of the Thomson First Call (News - Websites) mean estimate of 38 cents a share. Year-ago earnings from continuing operations were \$58 million, or 39 cents a share.

"We entered the quarter knowing that we faced ongoing challenges within our automotive aftermarket group and startup costs associated with program launches in our structural solutions group," said Chief Executive Joe Magliochetti in the release. "Nevertheless, the benefits of the company's restructuring program helped us exceed consensus earnings estimates for the quarter."

Also Tuesday, Dana's board rejected ArvinMeritor's unsolicited takeover bid, calling it "financially inadequate," and citing financing risks and antitrust concerns that could prevent the deal's closing. Dana also said it hired Goldman Sachs Group Inc. (NYSE:GS- News) as financial adviser.

ArvinMeritor said it remains committed to its offer, which it said would allow Dana shareholders to realize a cash value for their shares today without bearing the risks of the company's long-term restructuring efforts. ArvinMeritor has previously indicated that it could sweeten the deal if Dana agreed to enter into negotiations.

Earlier this month, ArvinMeritor offered to buy Dana for \$15 a share, or about \$2.2 billion based on Dana's 148.6 million shares outstanding. In addition, ArvinMeritor offered to assume \$2.2 billion of Dana's debt and the costs of minority interests.

Dana said Tuesday that the proposed acquisition raises serious antitrust issues and would likely undergo intense scrutiny from regulatory agencies, which could result in litigation to block the deal.

The company noted that it and ArvinMeritor are the only substantial North American producers of axles, driveshafts and foundation brakes for medium- and heavy-duty trucks, with combined market shares ranging from 80% to 100%.

In addition Dana said that although ArvinMeritor would need to arrange significant borrowings to complete its offer, it has publicly stated that it hasn't formed any agreements for such financing. Dana said the size of the required financing would give ArvinMeritor one of the highest debt-to-capital ratios in the automotive supply industry.

Other observers have raised concerns about the debt burden ArvinMeritor could potentially take on. After the initial offer, Standard & Poor's put ArvinMeritor's debt ratings on watch with negative implications, saying the added debt from the deal was riskier than the transaction's benefits.

"There is virtually no rationale for accepting this offer, which represents inadequate value and a high level of risk for shareholders," said Magliochetti in a statement.

The deal now represents a discount of about 1.9%, based on Dana's closing price Tuesday of \$15.28.

Dana said that although a small number of actions remain to be completed under its restructuring plan, all costs from the program are accounted for, and it expects to realize the full benefits by year-end.

The company said it remains on track to achieve 2003 earnings of \$195 million to \$215 million, and it expects 2004 earnings of at least \$300 million, or \$2 a share.

Wall Street currently expects Dana to earn \$1.17 a share in 2003 and \$1.42 a share in 2004, according to Thomson First Call. In 2002, Dana earned \$1.15 a share.

The company plans to hold a conference call at 8:30 a.m. EDT Wednesday.

Lehman Bros Plans To Pay \$2.6b For Neuberger (USAT)

By Thor Valdmanis

USA Today, July 23, 2003

NEW YORK - Lehman Bros. (LEH) made a bold push into managing the assets of wealthy investors on Tuesday, while, at the other end of the spectrum, discount online broker Ameritrade (AMTD) reported its quarterly earnings soared thanks to surging customer-trading volumes.

The news helped bolster perceptions that investor confidence may be returning on Wall Street after a three-year downturn not seen since the Depression.

Lehman said it plans to buy asset manager Neuberger Berman (NEU) for \$2.6 billion in a widely anticipated deal designed to help the Wall Street bank better compete for high-net-worth customers.

The move beyond its traditional strengths in bond trading and underwriting comes at a time when Lehman is looking to broaden its revenue sources.

The deal values Neuberger, which has more than \$63 billion in assets, at \$41.48 a share, a 20.5% premium above Neuberger's trading price before the merger talks became public last month. Lehman's shares fell 1.2% to close at \$63.70 Tuesday.

Lehman's client assets under management will grow to more than \$100 billion - with about 40% in higher fee-generating equity investments.

The high fees paid by wealthy investors make them attractive customers for banks and brokerages looking to build up consistent money-making businesses. Bear Stearns on Tuesday said it hired two CIBC Oppenheimer executives to spearhead an effort to bring in more business from rich customers. Separately, online brokerage Ameritrade delivered good news for the discount end of the market.

The Omaha-based company, which has about 3 million customers, reported net income of \$49.9 million, or 12 cents a share, up from \$5.8 million, or 3 cents a share, in the year-earlier period. Net revenue jumped 88% to \$189 million.

The news lifted Ameritrade stock 14% to \$9.42.

Ameritrade said it now expects fiscal fourth-quarter profit of 6 cents to 14 cents a share on revenue of \$142 million to \$214 million. It had previously forecast profit of 3 cents to 11 cents a share on revenue of \$116 million to \$195 million.

Ameritrade processed an average 154,300 trades per day, up 33% from the previous quarter.

"We are hopeful that we are at the end of a tough three years," Ameritrade CEO Joe Moglia said.

Ameritrade bought rival Datek for \$714 million in September 2002, giving it 800,000 more traders and catapulting it to the industry's top spot in terms of average daily stock trades.

Lehman To Buy Neuberger In Deal Worth \$2.6 Billion (NYTimes)

By LANDON THOMAS Jr.

The New York Times, July 23, 2003

In a bid to join the ranks of the large Wall Street firms, Lehman Brothers said yesterday that it would acquire Neuberger Berman, a money management firm catering to wealthy individuals, for \$2.6 billion in cash and stock.

The agreement satisfies a longstanding ambition by the management of Lehman Brothers to diversify its business, which has been dependent on the ups and downs of the bond trading market over the years. Morgan Stanley, Merrill Lynch and

Goldman Sachs all have significant money management operations, and such businesses are seen as a crucial building block to becoming an elite Wall Street firm.

The deal could also presage a move by other brokerage firms to take advantage of the recent jump in their stock prices to acquire money management firms, whose revenues tend to be less volatile than their other lines of business.

Neuberger Berman has \$63.7 billion under management, a respected family of funds and a well-heeled client base. It could be a valuable platform for Lehman as it tries to muscle in on one of Wall Street's most sought after businesses: providing financial services to high net worth individuals. Lehman will have \$100 billion under management when the deal is completed, which is expected by the end of the year.

Neuberger was founded in 1939 by Roy R. Neuberger, a prominent Manhattan art collector and an honorary life trustee of the Metropolitan Museum of Art, who turned 100 on Monday.

In 1950, Neuberger Berman became one of the first money management firms to offer no-load mutual funds to individual investors.

The company went public in 1999.

To encourage Neuberger employees to stay after the deal, Lehman Brothers has set aside a bonus pool of \$120 million. Lehman has also tried to lock up 30 top fund managers by having them sign a three-year noncompete agreement and restricting the amount of stock they will be able to sell.

By adding Neuberger, Lehman is taking a step toward diversifying its revenues. After the acquisition, fee-based businesses are expected to account for 21 percent of its revenues, up from 13 percent. Lehman executives also expect cost savings and revenue gains of \$50 million in 2004 and \$100 million in 2005, as back-office operations are merged and businesses are combined.

"Neuberger Berman is one of the largest and most respected, independent, high net worth managers," Richard S. Fuld Jr., Lehman's chief executive, said yesterday in a conference call. "When Neuberger is combined with our existing wealth and asset management group, Lehman Brothers will emerge as one of the leading providers of services to a highly desirable marketplace."

Under the terms of the deal, each share of Neuberger Berman will be exchanged for \$9.49 in cash and 0.496 shares of Lehman Brothers stock, for a total value of \$41.48 as of yesterday. The portion in stock could decline if Lehman's stock rises.

Shares of Lehman yesterday fell 80 cents, to \$63.70. Shares of Neuberger fell 29 cents, to \$40.15. The stock has gained nearly 17 percent in the last four weeks as news of the merger discussions became public.

Analysts said that Lehman had agreed to a reasonable price, at about 4 percent of Neuberger's assets under management.

"It does not look as if they paid an inflated price," said E. Reilly Tierney, a brokerage stock analyst at Fox-Pitt Kelton. "Lehman wanted to take advantage of its stock market price and they are going to get a stream of equity-based revenues at the top of the market. That's a very savvy trade."

Lehman Brothers' search for an asset manager dates to 1994, when it was spun off from American Express in a public offering that left it without a significant money market division. Since then, Mr. Fuld has sought an asset management company that would be able to smooth out the company's earnings.

While Morgan Stanley and Merrill Lynch made flashy acquisitions of such firms during the stock market boom, Lehman Brothers was forced to sit on the sidelines because of its relatively weak stock price.

In the end, the collapse of the technology bubble created an opportunity for Mr. Fuld. The larger Wall Street firms, which had been buoyed by underwriting and mergers work during the boom, saw their shares suffer more than Lehman's. They were thus in no position to add to their asset management operations.

Historically low interest rates caused the bond market to take off. Lehman experienced an explosion in profits. Its stock price soared, gaining 19 percent this year, while outperforming the shares of the bigger securities firms.

With the rest of Wall Street licking its wounds and with the stock prices of money management firms also weak, Mr. Fuld took the offensive. What had always been a large gap between the market values of brokerage houses and money management firms had narrowed considerably, bringing Neuberger into Lehman's sights. Money management firms traditionally command higher valuations than brokerage houses because of their more stable, fee-based businesses. Neuberger Berman is trading at about 26 times last year's earnings, while Lehman's ratio of price to earnings is about 13.

Mr. Lane and Mr. Fuld joined Lehman in 1969, and both held senior management positions there in the 1980's. Along with Mr. Lane, several other top Neuberger executives have Lehman pedigrees. Under the new structure, Neuberger Berman will retain its brand name, and Mr. Lane is to become a vice chairman of Lehman Brothers and a member of the office of the chairman. He will not join the Lehman board.

Lehman Brothers Moves From Prey To Hunter (WSJournal)

By SUSANNE CRAIG and TOM LAURICELLA

The Wall Street Journal, July 23, 2003

For years Lehman Brothers has been potential takeover prey for Wall Street rivals. Now, Lehman Chief Executive Officer Richard Fuld Jr. is playing the role of hunter, using cash earned from Lehman's bond operations to help the firm diversify its operations.

Tuesday, the 153-year-old securities firm, Lehman Brothers Holdings Inc., announced it is buying money manager Neuberger Berman Inc. in a cash-and-stock deal valued at \$2.63 billion, which includes among other things \$255 million in excess cash held by Neuberger. Initially, Lehman appeared willing to pay as much as \$3 billion, a price tag some investors believed was too steep.

Lehman, long keen to get away from its reliance on bond trading and underwriting, aggressively expanded its stock businesses in the late 1990s, in areas such as mergers-advisory work and stock research. Despite its efforts, however, the bear market has left Lehman largely dependent on bonds, which it turns out was a blessing given how well this area did in the face of a turbulent stock market.

This deal, analysts say, should help Lehman smooth out its earnings because it will have a steady stream of income from managing assets, a business that is less volatile. In the second quarter, for instance, about 65% of Lehman's revenue came from bond trading or underwriting. With the acquisition of Neuberger, Mr. Fuld says the firm now has critical scale in managing investor assets. But the transaction comes as other big brokerage houses such as Merrill Lynch & Co. have been wooing wealthy investors that are Neuberger's core clients. With the Neuberger purchase, Lehman will manage more than \$100 billion in assets, though that still pales compared with some rivals. Merrill recently had \$471 billion of assets under management and Morgan Stanley had \$421 billion.

"Sure we have a hill to climb," says Mr. Fuld of the highly competitive world of asset management. "But I have long been a believer that business begets business and this is a great start."

The track record for brokerage-firm acquisitions of money managers hasn't been stellar. Independent-minded portfolio managers often bristle at being under the umbrella of big firms and if they walk out the door, client dollars can quickly follow.

The acquisition of Neuberger Berman poses special risks: The firm's growth has been slow, and many of its senior employees have been aiming for years to cash out their stakes in the firm.

For Lehman, the planned deal essentially is a bet on the return of a bull market in stocks. The firm is wagering that individual investors will return to the stock market in a big way and that equities will outperform bonds following a rough three-year patch for stocks.

Lehman plans to keep the Neuberger name. Says Neuberger CEO Jeffrey Lane: "While Lehman will own every last share of Neuberger, it is going to be run as an autonomous business."

For years, Lehman wasn't in a position to make big purchases. Rivals from Deutsche Bank to BankAmerica Corp. to Chase Manhattan Corp. all were interested in buying Lehman, particularly after the 1998 global market crisis severely smacked its stock. Now, says Lehman Chief Financial Officer David Goldfarb, the firm finally is in position to buy a money-management firm catering to wealthy investors: "Our strong relative performance over the past few years has created a currency to allow us to make this acquisition."

News Leaked

Lehman shares were trading at nearly \$68 when news leaked several weeks back that the firm was in talks with Neuberger. Tuesday, Lehman shares were down 80 cents, or 1.2%, at \$63.70 as of 4 p.m. in New York Stock Exchange composite trading. Lehman has been a star stock-market performer this year, thanks to its buoyant bond operations.

Its stock has a year-to-date return of 19.53% compared with the broader Dow Jones Financial Services Index, which has fallen 7.2% in the same period.

Neuberger shares initially surged on news of a possible deal but were also trading down Tuesday, and were off 29 cents, or 0.72%, at \$40.15 as of 4 p.m. in Big Board composite trading.

Neuberger shareholders are getting \$41.48 a share, a 2.6% premium to the company's stock price Monday. However, the price marks a 20.5% premium to the asset manager's trading price before news of the merger talks broke last month. Neuberger holders will receive \$9.49 in cash and 0.496 share of Lehman stock in the deal. The transaction,

Lehman said, includes a collar that will adjust the number of Lehman shares distributed if the securities firm's stock is above \$66.51 during a period shortly before closing.

Code Name 'Ruby'

The deal, randomly code-named "Ruby," calls for a \$120 million stock pool to retain key employees, including 32 Neuberger partners who manage investor assets, subject to a five-year vesting period. Indeed, retention issues were a central point in the current negotiations, according to people familiar with the talks.

Mr. Fuld says he is optimistic the two cultures will be compatible, in large part because the deal represents a homecoming for several Neuberger staffers who once worked at Lehman, including Mr. Lane.

The 61-year-old executive joined Neuberger in July 1998 and has had plenty of experience working under the umbrella of big brokerage firms. He spent his early years on Wall Street at Shearson Lehman, where he rose through the ranks to serve as president in 1987-89.

While Mr. Lane will become a vice chairman of Lehman, he says he has no designs on Mr. Fuld's job.

The deal will pose challenges. Lehman is picking up a firm whose growth engines have been sputtering. Neuberger's core private asset-management business, which provided 50% of total revenue and more than two-thirds of pretax income in 2002, has stumbled of late.

After years of more than 20% growth in the late 1990s, the asset-management group has just suffered back-to-back quarters where investors pulled money out of the firm.

Neuberger executives pinned the blame on fatigue from the bear market -- one asserted in a conference call that clients were pulling money out of the market to buy second homes -- but analysts cited the trend as a yellow flag for Neuberger's fortunes.

Kenneth Worthington, who follows both Lehman and Neuberger for CIBC World Markets, describes Neuberger's recent performance as "mediocre," and has been especially concerned with the performance of the private asset-management unit.

"The high-net-worth business should be sticky assets" -- investors staying put -- "and Neuberger's haven't been that sticky," he says.

Private Equity Deals Are Again The Talk Of Europe (NYTimes)

By JOHN TAGLIABUE

The New York Times, July 23, 2003

PARIS, July 22 - All the big names in leveraged buyouts are on the prowl for deals in Europe. But the going is not easy.

The action is shifting away from Britain, the preferred playground for buyout firms until recently, to the Continent, where potential deals abound but the political, cultural and legal hurdles are higher.

With that shift, the dominance of the big British and American specialists who reigned over the boom of the 1990's is being challenged by local competition and complicated by the depressed level of asset prices and the difficulty that some firms have had in realizing gains from earlier deals because of the economic downturn.

In the second quarter, the total value of private equity deals across Europe fell to its lowest level in four years: 10.8 billion euros (\$12.24 billion at current exchange rates), down sharply from 16.3 billion euros in the first quarter and 25.1 billion euros in the last quarter of 2002, according to Initiative Europe, a British-based research firm that tracks the market.

And while most buyout firms have plenty of cash, they are not raising new money as quickly as before - 24 billion euros in 2002, a 37 percent decline from 2001.

But the second half of this year promises a harvest of major deals. In Britain, CVC Capital Partners and the Texas Pacific Group are expected to conclude a deal for Debenhams, a British department store chain, worth some \$2.4 billion. Scottish and Newcastle, the big British brewer, will probably conclude a sale of its chain of pubs that could yield \$3.2 billion. Telecom Italia is expected to complete a sale of a controlling stake in its directory publishing subsidiary, SEAT Pagine Gialle, to a group of leveraged buyout firms including CVC Capital and Permira, in a two-stage deal that could bring in as much as \$6.7 billion.

"The second half could very well be a good one" for deals, said Nicholas Gordon, director of research at Initiative Europe. "Industry practitioners would probably agree that it's a good time for the market."

Edward A. Gilhuly, managing director in Europe for the big American buyout firm Kohlberg Kravis Roberts, agrees, though he acknowledges that the environment has become challenging. In some respects, he said, Europe was hurt less by the market downturn than the United States was, because European investors had shown less enthusiasm for the 1990's new economy bubble to begin with. "They have a little bit less to come back from," he said.

Many private equity firms have emerged with plenty of cash. Kohlberg Kravis, for example, had \$3 billion in its Millennium fund in 1999 and has since expanded it to \$5 billion, Mr. Gilhuly said, with an eye toward international investment. As European economies soured, he said, many companies found themselves with business assets they wanted to shed. But investors had no appetite for new public offerings and few companies were making acquisitions, so the private equity investors had the field to themselves.

In December, Kohlberg Kravis wrapped up a buyout of a French electrical products maker, Legrand, in a deal whose value then of \$3.6 billion made it the largest to date in Europe. But it also illustrated how complex deal making had become.

In January 2001, a French rival, Schneider, offered to acquire Legrand, but the deal was blocked by European regulators on antitrust grounds. Schneider appealed, and the appeal process was expected to take more than a year. In the meantime, Kohlberg Kravis reached an agreement with Schneider last July that if the appeal did not succeed, it would take Legrand off Schneider's hands.

"We were taking a bet that they would not win, or that if they won, it would be not in the way they wanted," Mr. Gilhuly of Kohlberg Kravis said. In the end, Schneider did win its case, but it decided to sell anyway.

Even so, Mr. Gilhuly acknowledges, the deal might not have gone through had Kohlberg Kravis not involved a French partner, Wendel Investissement, controlled by the industrialist Ernest-Antoine Sellière.

Why the French partner? "We'll never know whether we could have been an alternative buyer without them," Mr. Gilhuly said. "It eliminated an issue that might have gotten in the way."

Britain and Ireland remain the principal field for European private equity deals, with 39 percent of the total by value in the first half of the year. But France is gaining fast, with 29 percent in the first half, far ahead of Germany's 11 percent and a big jump from a 19 percent share in 2002. Not surprisingly, French financial companies have been accelerating their activities.

Last July, Lazard brought in Patrick Sayer, who had overseen its banking, media and telecommunications business in New York, to run Eurazeo, a \$3.5 billion holding company closely linked to Lazard and its chairman, Michel David-Weill. Mr. Sayer has transformed Eurazeo into one of Europe's most aggressive equity investors. In January, he engineered an \$840 million buyout of Fraikin, a truck rental business, from the Fiat group; a month later, he bought a 23 percent stake in the European aerospace group Eutelsat for \$486 million.

But buyout firms continue to meet cultural, commercial and political resistance, and not just in France. Often, the objections are raised on security concerns.

In 1999, when the Texas Pacific Group bought a controlling stake in Gemplus, a French maker of smart cards, critics suspected an American bid to seize strategic European technology - suspicions that were redoubled when Texas Pacific named Alex Mandl to run Gemplus. Mr. Mandl, once a rising star at AT&T, also served on the board of In-Q-Tel, a venture capital fund established the same year by the C.I.A. to invest in companies working on technology that could be of use to intelligence agencies.

In Germany, after One Equity Partners of Chicago paid 700 million euros last year for Howaldtswerke-Deutsche Werft, a leading builder of nonnuclear submarines, the government proposed limiting foreign ownership of military contractors. One Equity is now trying to sell Howaldtswerke.

Several acquisitions by the Carlyle Group, including a buyout of Fiat's military and aerospace unit, Fiat- Avio, and of a British military laboratory, QinetiQ, have also raised European eyebrows. Last month, the French defense minister, Michèle Alliot-Marie, ordered an investigation into military-related buyouts by American companies.

Carlyle draws suspicion because several of its directors have been important political figures, including James A. Baker III, secretary of state under the first President George Bush, and Frank C. Carlucci, a secretary of defense under Ronald Reagan. The former British prime minister, John Major, oversees Carlyle's European operations.

Jacques Garaïalde, who left the Carlyle Group earlier this year to help Kohlberg Kravis develop its business in France, said the concern was at least partly understandable. "If you saw a French fund buying out an American company in a sensitive domain," he said, "what would the reaction be?"

Still, he said he did not think that the momentum of the buyout firms on the Continent would be stopped because there was still plenty of room for growth. As a percentage of the total economy, he said, deal volumes in Britain are at least 10 times those on the Continent and in the United States the difference is even greater.

"It's an education process," he said, "both in business and among politicians."

Roche Holding Talks To Purchase Igen (WPost)

By Michael Barbaro

The Washington Post, July 23, 2003

Roche Holdings Ltd., the world's largest diagnostics maker, is in talks to acquire Igen International Inc. of Gaithersburg in an effort to regain control of a lucrative blood-testing technology, people familiar with the negotiations said yesterday.

The proposed acquisition could cost Roche more than \$1 billion, analysts said, but it would win back its access to a line of Igen testing systems, used in scores of laboratories and blood banks, that earns Roche \$500 million a year.

Igen canceled its license agreement with Roche 14 days ago after the U.S. Court of Appeals for the 4th Circuit ruled that Roche had breached its contract to sell the tests, throwing Roche's diagnostics division into tumult and creating confusion among its clients over which company would service the testing systems.

"Roche does not want this technology to slip away," said Catherine J. Arnold, an analyst at Sanford C. Bernstein & Co. LLC in New York. "It has invested a ton into this relationship already."

Igen confirmed yesterday that it is negotiating a "potential transaction" with Roche but would not elaborate. A company statement cautioned investors "there can be no assurance that a transaction will be reached or on what terms."

Roche declined to comment on the nature of the talks. "Since the court decision, Roche and Igen have been meeting on a continuous basis in an effort to provide this technology to Roche's customers," Joel Reuter, a Roche spokesman, said.

People familiar with the negotiations said they are not limited to an acquisition. Roche and Igen may settle for a new license agreement, which would preserve Roche's commercial access to the tests and leave Igen an autonomous company.

The talks sent Igen's stock price up about 14 percent before trading was halted on the Nasdaq Stock Market. Igen stock rose \$4.70, to \$39.10.

Analysts said that even if Roche acquires Igen, it may inherit a handful of technologies, some complementary to its business, others not. Igen, founded in 1982, makes biological detection and measurement systems. The 370-employee company has developed what it calls the Origen system, a series of rapid test kits now used in food safety and homeland security testing.

"I would not put it past Roche to spin off what they don't want," Arnold said. "They are clearly not looking to get into homeland defense."

If completed, the acquisition would represent a striking turnaround in strategy for both companies, which have spent about six years -- and millions of dollars -- battling to wrest away control of the blood-testing technology from each other.

A federal jury last year found that Roche consistently underpaid license fees to Igen, awarding Igen \$505 million in damages. On July 9, the court reversed \$486.8 million of that award.

Roche has not yet appealed the ruling, and its window of opportunity is closing. Reuter said the company had only two weeks following the July 9 ruling to appeal.

John M. Putnam, managing director at Belmont Harbor Capital LLC in Chicago, said it is too early to predict just how much of the company Roche might buy, if it buys any at all.

"Igen's management would like to have something left over to apply this technology to," Putnam said. "But if the price is right, they will sell the whole thing." For Roche, buying Igen could accomplish two goals. In addition to regaining control over the testing technology in which it has already invested \$350 million, Roche would no longer need to pay royalties. Igen collected \$36.2 million in royalties from Roche in its fiscal year ended March 31, about 64 percent of its revenue for the year, according to filings with the Securities and Exchange Commission.

EU May Opt For Extended Probe Of Alcan Bid For Pechiney (Dow Jones)

By Benoit Faucon

Dow Jones Newswires, July 22, 2003

PARIS (Dow Jones)--The European Union may opt for an extended probe of Canadian aluminum company Alcan Inc.'s proposed takeover of French rival Pechiney SA as possible divestment solutions to concentration issues could provoke deeper market competition worries, analysts warn.

This scenario would represent a setback for Alcan, which is anxious to clinch its EUR3.4 billion takeover offer for Pechiney, launched July 7.

Alcan has said it hopes a probe by the E.U. Commission - which investigates all corporate takeovers of size involving Europe - would be a so-called phase 1, typically lasting four-to-six weeks. An extended review - known as phase 2 - would run closer to four months, possibly pushing Alcan's takeover plans into 2004.

It's a phase 2 that some analysts believe is almost inevitable given the small number of aluminum manufacturers.

In its informal bid, Alcan hoped to avoid a phase 2 probe by signaling to the E.C. that it would be prepared to part with its 50% interest in AluNorf, a Germany aluminum rolling mill. It also said that to facilitate a takeover, it would be prepared to sell the Neuf-Brisach mill in France, which is entirely owned by Pechiney.

Blanket refusal to dispose of the AluNorf stake three years ago, helped torpedo Alcan's effort to merge with Pechiney and Swiss company Alusuisse.

The company has also stated it's ready to divest assets in the cheese foil and spray can sectors, where the new entity could also raise competitive concerns.

But some analysts and fund managers warn that the E.C. may attach conditions on the sale of certain assets, upsetting Alcan's disposal plans.

AluNorf is a case in point. Norwegian industrial conglomerate Norsk Hydro has stated it's interested in acquiring the remaining 50% of the AluNorf mill it doesn't already own.

But, such a transaction would create a "duopolistic dominant position" in favor of both Norsk Hydro and a merged Alcan-Pechiney, not just the Norwegian company, wrote Sylvain Brunet, an analyst at Exane, in a recent report.

Brunet added it could be a reason for the E.C. to launch a phase 2 investigation.

Two years ago, the merger of steel producers Arcelor, Aceralia and Arbed prompted the European takeover regulator to launch of phase 2 investigation as it held concerns about the deterioration of competition, not just the dominance of one player.

One sector banker, not involved in the deal, and one fund manager, with a large stake in Pechiney, agreed that Norsk Hydro could be blocked, for antitrust reasons, from taking control of AluNorf.

The banker said that, in that case, Alcan would have to find another buyer, raising the prospect that Pittsburgh-based Alcoa (AA), the world's largest aluminum producer, might be wooed. In case no acceptable buyer is found, an outright sale of Neuf-Brisach could be a solution to E.C. concerns of rolling-mill concentration.

However, at the moment, few obvious buyers exist for Neuf-Brisach, the banker added.

A banker advising Alcan said it was premature to raise such issues, since Norsk Hydro hasn't formal bid for the other 50% of AluNorf. He declined to comment on possible talks on the matter.

Alcan itself couldn't immediately comment on those matters.

Earlier Tuesday, Alcan reported a 22% decline in income from continuing operations of 7 cents a share in the second quarter, mainly as a result of foreign currency translation costs.

Another area of competition concern is the aluminum auto-body sheet sector, warned Nick Collier, an analyst with CRU in London, warned in a report. An Alcan-Pechiney merger would see control of that business rise to about 70%-75% of the market in Europe, according to last year's figures, he wrote.

In that case, it's not the AluNorf plant that's concerned, but Alcan's Sierre and Nachterstedt rolling mills, which produce these products, he added.

Asked during a conference call if Alcan might have to divest some European mills that produce automotive body sheet, Alcan Chief Executive Travis Engen said: "I don't think that's true that we would."

But he added "mills produce many products so there may be some issues related to the totality of output from a particular mill."

He also said: "Details of this (issue) are subject to the views of antitrust authorities in the U.S. and Europe."

Pechiney's refusal to provide information on its operations is complicating Alcan's ability to present a formal, competition-friendly takeover proposal to the E.C., due late July. This may also offer an excuse for the E.C. to opt for the more intensive phase 2 investigation, the unnamed fund manager said.

But, Nick Hatch, an analyst with Investec in London, is more sanguine, believing Alcan's assurances on necessary divestments will ultimately soothe E.C. concerns and negate the need for a phase 2 review.

"Alcan has a big advantage. It's the bitter experience" of a previous, failed merger attempt with Pechiney, he said.

"At least, they know what concerns E.U. had about (that) merger", he said.

ENVIRONMENT:

Corps Held in Contempt Over Mo River Flap (AP)

By Libby Quaid

The Associated Press, July 22, 2003

A federal judge held the Army Corps of Engineers in contempt Tuesday for refusing to lower Missouri River water levels to protect endangered birds and fish.

U.S. District Judge Gladys Kessler ordered the corps and the secretary of the Army to comply by Friday or pay half a million dollars for each day her order is disobeyed. She said she may consider "more draconian contempt remedies" if flow is not cut by July 31.

Kessler ordered water levels dropped in a July 12 injunction she granted conservation groups that are suing to alter the Missouri's flow.

The corps has refused to comply, saying her order conflicts with an earlier Nebraska federal court ruling requiring enough water for barge shipping and power generation.

"We are still conflicted," said corps spokesman Paul Johnston. "The judge's ruling does not resolve the inherent conflict we have, with one court telling us to let water out and the other court telling us not to."

The groups want the Missouri to ebb and flow as it did before it was dammed and channeled decades ago to provide constant depths for barge shipping and other uses. The goal is to encourage spawning and nesting to help sturgeon and shorebird species on the government's threatened and endangered lists.

"The Missouri River's heartbeat, long flatlined by the corps, is about to get a brief and partial shock back to life," Chad Smith, spokesman for lead plaintiff American Rivers, said Tuesday.

Kessler's order was to cut the flow, beginning last week, on the lower Missouri River through Nebraska, Iowa, Kansas and Missouri.

She conceded Tuesday that "a conflict may exist" with the Nebraska federal court ruling, but she said a conflict does not excuse the agency from obeying her order. And she accused the government of dragging its feet in responding to the injunction.

Justice Department lawyers representing the corps sought emergency stays last week that were rejected by Kessler and the U.S. Circuit Court of Appeals for the District of Columbia.

"Moving to stay an order does not represent a good faith effort to comply with that order," Kessler wrote. "Rather, it represents an effort to postpone compliance with that order in the hope that it will be overturned on appeal."

More serious penalties could include higher fines or even jail time.

Justice Department lawyers defended the agency in court, and Justice spokesman Blain Rethmeier said, "We're reviewing the judge's decision and will evaluate our options now." Johnston, the corps spokesman, said he expected government lawyers would respond to the contempt citation in a "timely fashion."

The next option for the government would be to request a Supreme Court emergency stay from Chief Justice William H. Rehnquist, who handles emergency matters from that appeals court.

The reductions in Kessler's order would halt navigation on the Missouri, dropping depths at Kansas City, Mo., from about 14 feet to eight feet - too shallow for barges carrying grain and other cargo to the Mississippi River at St. Louis.

Barge and farming interests say the corps has an obligation to provide enough water for barge shipments.

The sport fishing industry and other upstream interests would benefit from low summer flows that would keep more water in upstream reservoirs in Montana and the Dakotas.

Debate has dragged on for more than a decade over the seasonal changes and whether they should become part of the corps' Master Water Control Manual for operating the Missouri River.

The corps has not revised the master manual since 1979, before the least tern, piping plover and pallid sturgeon were listed as threatened and endangered under the Endangered Species Act, one of the nation's most potent environmental laws.

When the agency announced last week it would refuse to comply with Kessler's order, it also announced new plans to complete master manual revisions by next year.

Judge Finds Corps In Contempt In Case Involving Missouri River (Knight Ridder)

By Bill Lambrecht

The St. Louis Post-Dispatch/Knight Ridder, July 23, 2003

WASHINGTON - (KRT) - A federal judge has declared the Army Corps of Engineers in contempt of court for refusing to lower water levels in the Missouri River to protect endangered species.

In her ruling Tuesday night, Judge Gladys Kessler of the U.S. District Court for the District of Columbia threatened a \$500,000-a-day fine if the corps and acting Army Secretary Les Brownlee refused to reduce the river's flow by Friday. She warned of even "more Draconian" measures unless the water levels drop by July 31.

In a memorandum accompanying her order, Kessler dismissed as nonsense the corps' assertion that it was making a good-faith effort to clear up the issue.

"The Corps' actions demonstrate the exact opposite," she wrote. "Moving to stay an order does not represent a good-faith effort to comply with that order. Rather, it represents an effort to postpone compliance with that order in the hope that it will be overturned on appeal."

The corps can set the river level by opening or closing gates on its dams. Kessler gave the corps until 9 a.m. EDT on Friday to start reducing the 25,000 cubic-feet-a-second flow of water from Gavins Point Dam, S.D., to the lower stretch of river, which runs through Missouri before meeting the Mississippi above St. Louis.

Less water - down to 21,000 cubic feet a second - was recommended by the U.S. Fish and Wildlife Service three years ago to avoid washing away the nests and chicks of two federally protected birds, the endangered piping plover and the threatened least tern, and also to help the endangered pallid sturgeon. The lesser flow would be maintained until Aug. 15.

"This is one angry judge," remarked David Hayes, who heads the legal team that won Kessler's injunction on behalf of American Rivers, Environmental Defense and a coalition of advocacy groups.

Hayes said the judge appeared to be threatening jail time for corps officials by referring to more draconian measures.

"This is more than a shot across the bow, this is a broadside hit with a remarkable fine. I assume the corps will now comply," said Hayes, once an official in the Interior Department.

Corps spokesman Paul Johnston said that Army and Justice Department officials would be looking closely at the judge's order. But he said the corps still faced contradictory injunctions.

He was referring to another injunction this year from a federal judge in Nebraska, who instructed the corps to maintain water levels high enough for barge traffic. The 8th U.S. Circuit Court of Appeals in St. Louis later upheld that injunction, which did not deal with the question of endangered species.

Johnston said: "I guess our reaction is that we're still in the same quandary we were in before of having conflicting orders. Despite what the reasons may be, we still have an order to let the water out and other order to leave it in."

The separate rulings invite further court action to determine whether the Endangered Species Act of 1973 might trump the Flood Control Act of 1944. The earlier law authorized dam-building along the Missouri and ordered that the river be operated for navigation.

The corps warned towboat operators and marinas on Sunday that water levels could be dropping as a result of court action. If the water is lowered, traffic on the lower river would all but shut down because few towboats would hazard the risk to barges.

Looking For Common Sense (Council Bluffs Nonpareil)

Editorial

The Council Bluffs (IA) Nonpareil, July 22, 2003

Our Position: lowans have much to lose with lower river flows.

The federal government on Sunday asked a Nebraska federal court to modify an order requiring higher Missouri River water levels that conflicts with a July 12 court ruling in favor of lower flows. The Justice Department asked the Nebraska court to alter its ruling to comply with the new order for low flows.

In the wake of the request to the Nebraska federal court, the U.S. Army Corps of Engineers - now facing a contempt charge stemming from the conflicting court rulings - ordered barge shippers and other river users to secure vessels for lower flows.

Pending a ruling on Sunday's request, "it is anticipated that the ... flows will not be sufficient to maintain commercial navigation from Sioux City, Iowa, to St. Louis, Mo.," the corps said in a news release issued Sunday.

It doesn't take a rocket scientist to come to the conclusion that's not good news for Iowa or lowans.

The legal maneuvering came hours before a contempt hearing against the Army Corps of Engineers set for Monday morning in U.S. District Court in the District of Columbia.

U.S. District Judge Gladys Kessler in Washington scheduled the contempt hearing for the corps to explain why it is refusing to obey an injunction she granted ordering low flows on the Missouri.

Conservation groups are suing the corps under the Endangered Species Act, saying the river must be restored to a more seasonal ebb and flow, mimicking natural river conditions before dams and channels were built. That, the groups contend, would encourage fish spawning and bird nesting by threatened and endangered species. Kessler granted an injunction July 12 sought by the conservation groups.

Last week, the corps refused to comply, saying that cutting flows would violate an earlier ruling by the U.S. District Court for the District of Nebraska that the Missouri must have enough water for barges to navigate and power plants to operate. The corps' refusal led Kessler to schedule the contempt of court hearing for Monday morning.

On Friday, an appeals court rebuffed a government effort to stay Kessler's order on an emergency basis, although the government's appeal is still pending. The U.S. Court of Appeals for the District of Columbia denied the government's request for an emergency stay pending appeal of Kessler's ruling.

Kessler acknowledged in her order granting the injunction that barge companies will lose revenues, water quality may suffer and consumers may pay more for power this summer along the Missouri River. But she said that injury to wildlife - the least tern, piping plover and pallid sturgeon - will be irreparable without curtailing the Missouri's flow.

While we find most conservation efforts laudable, we can't help asking ourselves, where's the common sense in Kessler's ruling?

Babbitt Faults Norton Policies (Sacramento Bee)

By Stuart Leavenworth

The Sacramento Bee, July 22, 2003

For the first time since leaving office, former Interior Secretary Bruce Babbitt is gingerly criticizing his successor, Gale Norton, for limiting protections on millions of acres of public lands across the West.

In an interview with The Bee on Monday, Babbitt faulted Norton for halting studies of potential wilderness on lands administered by the federal Bureau of Land Management, a decision that could affect the Headwaters Forest and several other BLM properties in California.

"It is an unfortunate decision," said Babbitt. The new policy, he said, undercuts efforts to protect and showcase "a fabulous inventory of public lands that have never gotten the attention they deserve."

Bush administration officials say they are merely following the law by leaving it to Congress to designate new wilderness. The Interior Department will continue to protect sensitive lands, said spokesman Mark Pfeifle, even if it doesn't designate new lands as "wilderness study areas."

But without such reviews, Babbitt and others say, the federal government will be restricted in managing new national monuments and protecting public lands from unsuitable oil drilling, mining and grazing.

"It is not a particularly optimistic time," said Babbitt, a former Arizona governor who headed Interior during the Clinton administration. "Hopefully we will see some renewal of the environmental movement, but it has to come from the grass roots. It will not come from the top."

Although he was somewhat guarded in his comments, Babbitt's criticisms are his first of Norton's policies since he left office and returned to consulting and legal work.

During those three years, Norton and the new administration have reversed many of Babbitt's policies and generally pushed for more resource extraction on public lands. All that time, Babbitt has followed established decorum and declined to comment publicly on his successor's policies.

In recent months, however, Babbitt says he's becoming increasingly concerned over the fate of the National Landscape Conservation System, an initiative he launched to inventory and protect components of the Bureau of Land Management.

Across the West, BLM manages 262 million acres of public land, including the King Range on the North Coast and giant trees outside of Sequoia National Park. Despite those assets, BLM has tended to be a forgotten stepchild in Interior, said Babbitt. "It was always thought of as the Bureau of Livestock and Mining," he said.

In April, Norton quietly settled a lawsuit with Republican Gov. Mike Leavitt of Utah that fueled some of Babbitt's concerns.

The settlement reversed a Clinton-era policy that provided interim wilderness status to 2.6 million acres of BLM land in Utah. It also prohibited Interior from establishing any new wilderness study areas -- which effectively treat land like wilderness, meaning no mining, dams, roads or mechanized recreation.

Kit Kimball, director of external affairs for Interior, said the previous administration was effectively managing areas as wilderness without congressional approval. "We don't have the authority to do that," she said.

Interior officials also say that, contrary to what some have claimed, the Bush administration's policy doesn't prevent BLM from studying areas for wilderness or even recommending that Congress consider them for protection.

"We will continue to manage those areas, and if redwoods need protection, we will go ahead and do so," said Kimball.

California officials say those words are a smokescreen. Resources Secretary Mary Nichols said the policy prevents permanent protections for any BLM lands not designated "wilderness study areas" by Congress prior to 1993.

This includes parts of the ancient Humboldt County redwoods in the Headwaters Forest, purchased in 1999 with \$480 million in federal funds. She said the policy marks "a significant departure" from policies of every president since Jimmy Carter.

Asked about the scope of Norton's policies, Babbitt demurred and declined to be lured into a debate.

He said there are still opportunities to protect BLM lands through plans the agency is formulating for new national monuments. He also noted that Congress has already approved 17 million acres of land as wilderness study areas that are untouched by the new policy, although many of those areas are outside of California.

"There are splendid areas that cry out for protection, in Hawaii, Oregon, Idaho, the Vermillion basin in Colorado," said Babbitt. "I think it's time to set goals for expansion and completion of the system."

Developer Loses Endangered Toad Case (AP)

The Associated Press, July 22, 2003

WASHINGTON (AP) - A federal appeals court on Tuesday rejected a California developer's request that the full court consider a plan to build 280 homes on some of the last remaining habitat of the arroyo southwestern toad.

But one of the circuit judges strongly dissented, saying harm to the toads from commercial activity doesn't mean it should be regulated under interstate commerce provisions.

A three-judge panel of the U.S. Court of Appeals for the District of Columbia Circuit had rejected the building plan because it would endanger the toads. The panel affirmed a lower court decision that development firm Rancho Viejo must follow a U.S. Fish and Wildlife Service order to let the toads move freely on a San Diego County construction site.

The wildlife agency had issued a biological opinion three months after the project began in May 2000 that said construction probably would jeopardize the toads' existence.

Rancho Viejo's suit challenging the agency's use of the Endangered Species Act under interstate commerce provisions was dismissed by the U.S. District Court for the District of Columbia.

FBI/DEA/ATF:

FBI Men Allege Retaliation for Testimony (AP)

By Curt Anderson

The Associated Press, July 22, 2003

WASHINGTON (AP) - Two FBI agents who detailed problems in their agency to Congress say they were targeted for retaliation because of their testimony, two senators said Tuesday.

Agents Patrick Kiernan and Frank Perry have filed complaints with the Justice Department inspector general, Glenn A. Fine. Kiernan contends he was passed over for promotions and transfers; Perry claims he was subjected to unspecified retaliatory comments from senior FBI officials.

Both men testified about FBI problems during a Senate Judiciary Committee confirmation hearing for FBI Director Robert Mueller in July 2001. A third agent who testified, John Roberts, already had claimed retaliation.

Sens. Charles Grassley, R-Iowa, and Patrick Leahy, D-Vt., said in a letter to Mueller that the agents had similar experiences despite working in separate offices, indicating that FBI retaliation continues against those who "seek and tell the truth."

"When they should be applauded, they have been chastised and even vilified," the senators wrote in the letter dated July 10 and released Tuesday.

FBI officials declined to comment on the retaliation claims.

Mueller is scheduled to appear Wednesday before the Judiciary Committee, which is expected to query him on the subject.

Perry and Roberts were involved in investigations of FBI misconduct during the 1992 standoff with white separatist Randall Weaver at Ruby Ridge, Idaho. Weaver's wife and son were killed by an FBI sniper. In 1995 the government paid Weaver and his three surviving children \$3.1 million in compensation.

Perry also was behind a 1999 report detailing a separate disciplinary system for senior executives and rank-and-file agents. Kiernan was a key author of that report and also served in a special investigation of FBI actions during the 1993 confrontation with the Branch Davidian cult in Waco, Texas, that resulted in nearly 80 deaths.

Mueller recently announced the transfer of Robert Jordan, who had been chief of the FBI internal discipline unit, to head up of the FBI field office in Portland, Ore. Jordan had earlier been rebuked by Mueller by actions he took against Roberts, who had also detailed FBI problems on CBS' "60 Minutes" program.

Release of the letter comes as Leahy and Grassley introduced legislation Tuesday that would strengthen whistle-blower protections at the FBI, require periodic lie detector tests for counterintelligence employees and contractors and equalize disciplinary rules for executives and rank-and-file employees.

The FBI's Least Wanted (LATimes)

The high cost of living is driving agents from some of the largest, most important cities. A few who stayed have gone on food stamps.

By Greg Krikorian

The Los Angeles Times, July 23, 2003

Five years ago, Bob Hoelscher stepped up to a microphone at the FBI Academy in Quantico, Va., and, in a time-honored graduation ritual, opened an envelope with a slip of paper that identified his first assignment.

San Francisco, it read.

An attorney with a wife and infant son, Hoelscher had heard stories about the cost of living in the Bay Area. "But how bad can it be?" he thought.

After driving cross-country, he found out.

With a starting salary of \$50,000, Hoelscher, then 33, was priced out of housing anywhere near his new job. After months of searching, he found a \$250,000 house in Fairfield - 58 miles from San Francisco. His commute takes 75 minutes each way, if the weather is good.

"I actually live in the Sacramento division," Hoelscher said. "There are tons of us who do the same thing each day."

While the FBI plays a lead role in the war on terrorism, many agents say they are waging a private battle against financial hardship. An outdated pay structure has left many agents struggling to make ends meet, especially in high-cost cities such as San Francisco, Los Angeles and New York.

Some agents endure lengthy commutes. Others have gone deep into debt. A few have gone on food stamps or moved into government housing.

FBI veterans say the impact on the bureau's crime-fighting prowess is subtle, but unmistakable. Scores of younger agents are resigning for better-paying jobs in the private sector. Experienced agents want out of big cities. Top-level vacancies in specialties ranging from white-collar crime to counterterrorism go begging for applicants.

The financial squeeze, agents say, is greatest in the very urban centers where the need for top investigative talent is most urgent.

"It is the elephant in the living room that no one wants to talk about," said Nancy Savage, a Portland, Ore., agent who is president of the FBI Agents Assn. "It is killing us in terms of getting people to want to work and stay in these high-cost cities. And these are critical places for us to work."

A House subcommittee will hold a hearing today on legislation to boost salaries for thousands of federal law enforcement personnel working in the nation's most expensive cities for the FBI, the Drug Enforcement Administration and other agencies.

"It's a major issue, not only in terms of quality of life and morale for the agents, but in terms of recruiting and keeping the most competent agents in these big cities," said former FBI Director Louis J. Freeh.

In San Francisco, which has the nation's highest housing prices, FBI officials estimate that 9% of the agents resign each year, compared with 2% for the bureau as a whole. A recent study found that of 313 agents hired in San Francisco from 1995 through 2002, 41% transferred to other cities.

A decade ago, there were 17 applicants for a coveted assignment as an assistant special-agent-in-charge in the FBI's San Francisco division, recalled Mark Mershon, who won that competition and now runs the office.

It was a different story this year when two jobs at the same rank became vacant in San Francisco. Because of FBI rules on promotions, most applicants for such positions are bureau veterans from other parts of the country. The cost of living in the Bay Area frightened them off.

"I had no takers. Zero," said Mershon, a 28-year FBI veteran. "Nobody raised their hands."

Mershon eventually filled the jobs with two top candidates from out of state, but only after FBI headquarters bent the rules and offered each of the appointees a relocation bonus equal to 15% of their base salaries.

"It's shocking," said Dave Miller, head of the FBI's counterterrorism program in San Francisco. "If the American dream is to own a home with a small backyard, it's ironic that many FBI agents who are sworn to defend and protect this country have trouble buying into that dream."

That trouble is greatest in places such as Los Angeles, where a new FBI agent earns a base salary of \$39,204. A "locality" adjustment for living costs, coupled with 10 hours per week of mandatory overtime, bring the salary up to \$56,843.

With the median home price in Los Angeles County at \$313,000, the average new agent is priced out of the local market and must spend three hours a day commuting to and from work, according to the FBI Agents Assn.

Over time, agents become more comfortable financially. In Los Angeles, they can earn \$84,000 after five years. The struggle is in the early years, and it is especially acute in the FBI because most new agents are on their second careers, and they have or are starting families.

Reality Check

In Portland, one new agent was stunned to learn two years ago that he and his family qualified for food stamps.

"We moved from Ohio ... and were having to go to our credit card for food and gas and everyday expenses where you don't normally use a credit card," said the agent, who spoke on the condition that he not be identified.

"Out of curiosity," he said, his wife contacted the state of Oregon and learned that his FBI salary of \$50,000, coupled with his previous salary in Ohio, which was lower, made the family of five eligible for food stamps.

"It was a reality check," the agent said.

After six months of government assistance, state officials reevaluated the family's eligibility. A full year's FBI salary put them above the limit, the agent said - by about \$2,000.

Another FBI agent took a 20% pay cut when he left the engineering profession to join the bureau in April 2000. He was assigned to San Jose.

The agent and his wife, who had an infant daughter, no debt and \$5,000 in savings, found that apartments in safe neighborhoods went for a minimum of \$1,500 a month. Taking home \$2,900 a month, he said, he went through the family's savings his first year on the job.

"I was determined that I wasn't going to go into debt," said the agent, who is 32. "We weren't doing anything. We didn't go out to eat. We didn't go to movies. We were only surviving because of the savings."

He was about to give up and resign. Then he and seven other agents won a lottery for apartments at Moffett Federal Airfield, a former Naval air base in Mountain View. The family moved in just before the birth of their second daughter - on Sept. 11, 2001.

They viewed the two-bedroom, one-bathroom apartment as a stopgap, but they are still there.

"We can't stay. It's not big enough," the agent said. "But we still can't buy a house."

In the late 1980s, the high cost of living in New York City caused a staffing crisis in that FBI division. Though it employed about 10% of the FBI's agents, the office was widely seen as the worst FBI assignment in the country because of living costs.

"They were losing several agents a week," recalled Savage, of the FBI Agents Assn. "It was just insane."

To stem the resignations, the FBI raised salaries and provided \$20,000 bonuses for New York agents, she said. The bureau also adopted a "locality pay" formula to provide adjustments to the pay scale, depending on where in the country agents were assigned.

The formula has not been revised since then. Agents complain that it does not reflect the cost of living in a dozen particularly expensive cities. Pay adjustments are based solely on the wage level in a particular city or region. Agents complain that they do not take into account housing prices, transportation costs and other financial factors.

The system has bizarre consequences, agents say.

FBI personnel in Houston, for example, are the envy of their colleagues because private sector salaries are high, the state has no income tax and housing is affordable.

"They are middle-class in those places," said Hoelscher, the San Francisco agent, "while we're struggling to get by."

Some leave the bureau rather than struggle, and they include agents with valuable skills. In the last three years, the FBI has lost at least 14 agents and supervisors in five cities who investigated computer crimes, said Ken McGuire, a supervisory agent in Los Angeles who works in that specialty.

"That is not a hard number," McGuire said. "That is just the ones I know about."

Three years ago, a San Francisco agent poured out his frustrations in a letter to Freeh, then FBI director.

An ex-Marine, the agent said that in his tours of military duty and his assignments with the FBI, he had "willingly accepted sacrifice as a way of life."

"These sacrifices were made in the pursuit of a higher calling," he wrote. "However, we should not have to sacrifice the security and needs of ourselves and our families."

The agent, who asked not to be identified because he works undercover, later left the FBI for another federal agency that allowed him to relocate and earn a higher salary.

Long Commutes

For many new agents, affordable housing comes with a commute that can add two, three, even four hours to the required minimum 10-hour workday.

In New York City, many agents travel from as far Allentown, Pa., 90 miles away. In Los Angeles, they drive to the FBI office in Westwood from as far away as Lancaster and Riverside.

Beyond keeping agents on the road for hours, financial pressures limit career options and make it harder for FBI management to fill important jobs.

"People are more hesitant today to raise their hands and go to the high-cost areas," said Frank Scafidi, a veteran supervisor in Sacramento. "We have people here who could run major cases in other cities.... But they have elected to stay in an environment that is more beneficial for their families."

The FBI cannot afford the flight of talent from its big-city offices, said retired Los Angeles agent Larry Langberg.

"That is where the best work ... and the biggest threats are," said Langberg, who headed the FBI Agents Assn. for seven of his 30 years with the bureau.

"Los Angeles shags some very good people, but it probably doesn't pick from as wide a group as it could because of the cost of living. And it is unfair to agents, and it is unfair to the American public in this era of terrorism, not to have the most talented and motivated people competing for those jobs."

Hoelscher, a native of southern Illinois, still has not adjusted to the high cost of living in San Francisco.

"My wife says, 'Why don't we move back home? You can go back to being a lawyer.' But I love my job, and pride makes you go on, I guess.

"But it's tough," he said. "We're always one financial disaster away from me having to resign."

Reputed Miami Drug Kingpin Gets 20 Years (AP)

The Associated Press, July 22, 2003

MIAMI (AP) - A reputed drug kingpin from Florida's "Miami Vice" era was sentenced Tuesday to 20 years in prison for money laundering.

Willy Falcon also paid the federal government \$1 million, as agreed to in a plea bargain.

Falcon and partner Sal Magluta were said by prosecutors to have made \$2 billion from cocaine smuggling while turning Miami into the drug capital of America in the 1980s. They were known in Colombian drug circles as "The Boys."

Falcon, 47, pleaded guilty in June to laundering drug profits.

Falcon and Magluta were under investigation for 14 years and were cleared of drug charges in 1996 with help from two bribed jurors. Magluta later received a life sentence for jury bribery, while being cleared of charges that he ordered hits on three witnesses, including a lawyer.

Falcon's \$1 million payment had a hitch: The payment was \$400 short and included more than \$200 in counterfeit bills. One of Falcon's lawyers made up the shortfall with a money order.

Fresno Chamber Chief Arrested On Drug Charge (LATimes)

Stebbins Dean was at a conference in Florida when he allegedly tried to buy crack cocaine.

By Mark Arax

The Los Angeles Times, July 23, 2003

FRESNO - As chamber of commerce executives go, Stebbins Dean hasn't had an easy job.

For more than a decade, he has tried to burnish this city's lackluster image, proclaiming its oft-hidden virtues to doubting CEOs around the state and country.

Each headline seemed to add insult to his cause: Fresno - the arson capital of the West. Fresno - the nation's No. 2 city for auto theft. Fresno - America's worst smog.

On Tuesday, the city's fervent huckster became the subject of his own tarnished headline. While on a trip to Naples, Fla., last weekend to share ideas with a national gathering of chamber of commerce heads, Dean was arrested and charged with trying to buy crack cocaine from an undercover police officer.

Local business leaders now say the city's image builder, the man who helped launch the slogan "Fresno: Smile When You Say That!," has so badly stained his own image that he must step down for the greater good. After the recent foibles of a local state assemblyman - who told Fresno police that he was roaming the red light district at night because he got lost on his way to the farm bureau - this city seems braced for a whole new round of jokes at its expense.

"There are some mistakes where you can pick up the pieces and move on without too much damage," said Larry Willey, a past chairman of the chamber of commerce board who owns a tile company here. "This may be one of those crooked things that you can't make straight."

The arrest report paints a portrait at odds with the middle-aged and balding Dean, a man regarded by his peers as a "very steady Eddie." Naples police say they encountered Dean loitering in a drug-infested neighborhood four miles north of the Ritz-Carlton Hotel, the site of the Chamber Executives Leadership Forum.

When an undercover detective asked the 50-year-old Dean what he wanted, the chamber head allegedly said he was looking to buy some "80" - street slang for \$80 worth of crack cocaine. After buying three pieces of crack that turned out to be fake, Dean was arrested and charged with a felony.

Dean, who is on administrative leave from his job, says it was all a misunderstanding. His words sounded garbled to the undercover officer. He said he told the officer he needed a "cab" and not "crack." He said he has never used illegal drugs and wasn't trying to make a purchase last Saturday night.

"People that know me know that I don't do drugs," Dean told the Fresno Bee. "I can't believe this. I'm totally emotionally upset."

But court records show that only last November Dean was arrested in Fresno and charged with two counts of drunk driving and one count of possessing a drug pipe. After pleading no contest to one DUI count, he was placed on probation for three years.

Local business leaders say the bad publicity over this new arrest only moves the city further away from its mission to cut into a jobless rate that hovers between 12% and 15%, depending on the season.

"For a long time, our quality of leadership in Fresno has left something to be desired," said Gary Janzen, an advertising company executive. "This arrest only underscores how serious a leadership problem we have."

"There are a lot of progressive things going on here to deal with unemployment and other problems. But they tend not to get heard when our leaders keep messing up."

Larry Johanson, the current chairman of the chamber board, said he believes the fallout from Dean's arrest won't be long-lived. "The chamber doesn't center around one person. The chamber is 1,900 businesses and 24 board members and 16 committees that are working on a multitude of important projects," he said.

"Stebbins has done a lot of good work but we go on. Nothing about that larger mission is going to change."

Dean became the chief executive of the Fresno Chamber in 1991, after serving in the same post in Oceanside. He has been a strong advocate for Fresno, sometimes even giving a tongue-lashing to out-of-town newspaper reporters whose stories have portrayed Fresno in a less-than-flattering light.

More than 100 chamber heads from across the country were gathered at the national conference in Naples, which began on Sunday and ended Tuesday. According to police, Dean was booked into Collier County Jail about 11 p.m. Saturday. He posted a \$2,500 bond and was released early Sunday morning.

Police said that after Dean approached an undercover officer looking for some "80," the chamber chief pulled out his wallet and flashed cash. The officer then showed Dean three pieces of fake crack cocaine, and the two began to haggle over a price.

Police said Dean paid \$42 and then he took the fake drugs and walked away. As backup officers arrived to arrest him, police said, Dean threw the fake drugs into a pile of garbage. The pieces were never found.

Dean told the Bee that he simply was walking in downtown Naples when he headed north and got lost in a shabby neighborhood. "I had no idea where I was," he said. "I was just looking for a way home."

Expert Panel Finds Flaws In Diet Pill Safety Study (NYTimes)

By CHRISTOPHER DREW and FORD FESSENDEN

The New York Times, July 23, 2003

As a growing number of deaths and illnesses have raised questions about their diet pills, some ephedra companies have promoted a medical study as showing that their product is safe and helpful for losing weight.

But documents released yesterday by a House subcommittee show that a panel of scientists has found flaws and shortcomings in the study. Some government officials said those problems could undercut its safety findings at a time when federal regulators are trying to decide if they should ban ephedra, an herbal stimulant, or restrict its sales.

For several years, the industry had refused to give the regulators all the data from the study, which was conducted at medical centers in New York and Boston in the late 1990's. But last February, the Food and Drug Administration made an unusual deal to gain access to the data, officials say.

The agency had to make the deal, the officials say, because it was in a bind. While drug companies are required to prove the safety of their products and must turn over safety data and consumer complaints to the F.D.A., the agency, under a 1994 law, has no such authority over the makers of dietary supplements like ephedra.

The notion that a federal regulatory agency had to make a deal to investigate a health threat also goes a long way, critics say, to explaining how the ephedra companies have been able to keep the government at bay through nearly a decade of complaints about their products. And while the companies are now removing the ephedra from many of their diet pills, these critics say they remain concerned because so little is known about the other herbal ingredients being used as substitutes.

Under the deal, administration officials said, the F.D.A. agreed to hire outside experts to help review the data. It also allowed the industry to veto several of the possible choices before agency officials picked the scientists who did the critiques.

Top agency officials said they agreed to the deal to counter industry concerns that the agency's scientists were biased against ephedra. Representative James C. Greenwood, a Republican from Pennsylvania and the chairman of the House subcommittee that will hold a hearing on ephedra today, said the deal made sense because the outside experts ended up showing that the study was "seriously flawed."

Mr. Greenwood said this also could mark a breakthrough in the agency's effort to regulate ephedra. "This is the study that was being held up by the industry as the gold standard," he said. "And now the evidence shows that it was anything but that."

Documents released by Mr. Greenwood's subcommittee show that the three scientists hired to review the data all ended up criticizing the study. One of the agency's experts noted that through a mix-up, some of the participants who were supposed to receive placebos were given a mixture of ephedra and caffeine similar to what is in most of the diet pills, thus making the study "impossible to rely on."

Another F.D.A. expert, Dr. Norman Kaplan, a hypertension specialist at the University of Texas Southwestern Medical Center at Dallas, said that with only 87 participants completing the six-month study, the group was too small to assess safety. He also said the researchers had played down increases in heart rates and blood pressure among study participants that could translate into a 20 percent to 40 percent increase in strokes and heart attacks among ephedra users.

In addition, the reviewers said the study would be a poor predictor of what might happen to the general public. Two reviewers noted that the study enrolled only people in near-perfect health, using a series of rigorous tests to eliminate 11 percent of the volunteers before the trial began.

Metabolife International, the largest maker of the ephedra diet pills, sponsored the study with other companies, and referred all questions about it to the researchers who conducted it. In a statement, Metabolife said its products were "safe and effective" when used as directed.

The chief researcher, Carol N. Boozer, a nutrition scientist at St. Luke's-Roosevelt Hospital Center in New York, did not respond to calls for comment yesterday. But in an interview last week, she said the six-month study represented the best science on the subject because it was the most extensive clinical trial ever done. She also said she believed the mix-up in the drugs involved relatively few participants and would not have affected the results.

Still, she acknowledged that the study had not proven that ephedra was safe for everyone, but only that healthy people seem to be able to safely lose weight if they do not exceed the recommended dosages.

"A lot of people would like me to say it's safe, and I'm not going to do that," she said in the interview. "I'm very careful what I say."

Industry lobbyists and some of their supporters in Congress have frequently cited the study in urging the drug agency to hold off on taking any action against ephedra.

Current and former agency officials said the ephedra companies have also been able to use the 1994 law as a shield to avoid regulation, particularly in beating back two efforts by the Clinton administration to restrict ephedra sales.

Given the age-old uses of many natural remedies, the law allows vitamins, health foods and herbal products to be sold, like foods, without prior safety testing, and does not require the companies to report consumer complaints or other safety data to the F.D.A. Instead, the law places the burden on the agency to prove that a dietary supplement is dangerous before it can take the product off the market.

Critics say that while most of the nutritional supplements appear to be safe, the law has placed the drug agency in a difficult legal hole when it comes to regulating powerful stimulants like ephedra, which acts like amphetamine in speeding up the body's metabolism and has been linked to heart attacks and strokes.

David A. Kessler, who was F.D.A. commissioner from 1990 to 1996 and who opposed the 1994 law, said it "tied the agency's hands" on substances like ephedra that, he said, are really drugs "masquerading as nutritional supplements."

"The problem is that the supplement industry doesn't have to report adverse events, so the F.D.A. doesn't have the data," Dr. Kessler said. "How do you prove something is unsafe if you don't have the data? It's the ultimate Catch-22. It's also a colossal failure of protecting the public health."

But Senator Orrin G. Hatch, the Utah Republican who is a chief sponsor of the 1994 law, responded, "It is extremely hard to take action if you never try." He said the agency had folded too quickly in its previous attempts to regulate ephedra. If it had gone further and actually imposed restrictions, he said, then the issue of whether the law works - "as I believe it can" - could have been settled in the courts.

Still, the political climate has changed since a Baltimore Orioles pitcher, Steve Bechler, 23, died on Feb. 17. The local medical examiner linked his death to weight-loss tablets with ephedra.

Two weeks after Mr. Bechler's death, Tommy G. Thompson, the secretary of health and human services, and Mark B. McClellan, the F.D.A. commissioner, proposed tough new labels to warn consumers about the dangers of ephedra, and the F.D.A. ordered a number of companies to stop advertising ephedra as a way to build muscles or enhance athletic performance, saying there was no scientific evidence for the claim.

Dr. McClellan added that once the agency finishes evaluating scientific data, probably later this summer, "we will take action." Whether that is likely to mean a ban on sales or new restrictions on the labels and marketing, is unclear.

F.D.A. officials said that at one point in mid-1990's, the industry seemed willing to compromise over ephedra and substantially lower the recommended dosages in the weight-loss pills. But when the agency proposed a rule in 1997 with still-lower dosage limits, the industry derided it as unscientific and criticized the agency for relying too much on anecdotes about deaths and illnesses.

The General Accounting Office, the investigative arm of Congress, later agreed with some of that criticism, which forced the drug agency to withdraw the proposal. A second agency effort to crack down also fizzled in late 2000.

At that time, agency officials said, they were also trying to gain access Dr. Boozer's study, which was similar in structure to the clinical trials used to test pharmaceutical drugs. But it involved far fewer people than most drug studies do.

Dr. Boozer said in the interview that she was reluctant to give any data to the F.D.A. before her article summarizing the study's results was published last year. Afterward, she said she was still hesitant because she did not trust the agency to analyze it in a "responsible way."

One drug agency reviewer, Dr. Richard Atkinson, editor of the International Journal of Obesity, which had published Dr. Boozer's article about the study, wrote to the F.D.A. that the study was "severely compromised" by the mix-up involving placebos and ephedra pills, which was discovered after the study was completed.

Dr. Boozer said she tested 326 leftover bottles, finding 5 incorrectly labeled. But Dr. Atkinson said the study should be redone because she was unable to account for the contents of about 1,200 other bottles.

GAO Links Ephedra With Serious Side Effects (WPost)

By Guy Gugliotta

The Washington Post, July 23, 2003

Congressional investigators have linked ephedra supplements made by San Diego-based Metabolife International to a disproportionate number of serious side effects among consumers younger than 30.

In testimony prepared for a House hearing today on the popular herbal stimulant, Marcia Crosse, the General Accounting Office's acting director for public health and science issues, said the GAO's analysis showed that 44 percent of the "serious adverse events" reported to Metabolife between 1997 and 2002 involved younger consumers. The GAO is Congress's investigative arm.

Crosse acknowledged that the reports contained "limited information," but the pattern of side effects -- ranging from insomnia to seizures, stroke and death -- was consistent with reports gathered by the Food and Drug Administration about ephedra products sold by many different companies.

Metabolife spokeswoman Jan Strode stressed the sketchiness of the reports, noting that the GAO's analyses of ephedra "clearly state that the GAO could not establish any causal connection between adverse events and Metabolife 356." Metabolife is the biggest ephedra marketer in the country, and Metabolife 356 is its leading product.

The House subcommittee on oversight and investigations summoned Crosse to testify during two days of hearings on ephedra, which is used as a weight-loss aid and workout enhancer. The Washington Post obtained a copy of the Crosse testimony.

Also expected to testify at today's hearing are the parents of former Baltimore Orioles pitcher Steve Bechler, 23, who collapsed and died of heatstroke during spring training.

Bechler's locker contained an ephedra supplement not made by Metabolife, and toxicology reports confirmed a significant amount of ephedra in the pitcher's system.

House Takes Aim At Ephedra (Copley)

By Toby Eckert

The San Diego Union-Tribune/Copley News Service, July 22, 2003

WASHINGTON - Members of a House panel are expected to sharply question studies that tout the safety of the herbal stimulant ephedra as they open hearings Wednesday into the dietary supplement, made by companies including San Diego-based Metabolife International.

Three experts who reviewed one study widely cited by the ephedra industry found shortcomings in the study and said, "The product should only be used with the monitoring of a learned intermediary," according to a memo released by the House Energy and Commerce Committee.

The memo to Food and Drug Administration Commissioner Mark B. McClellan concerned a review of a six-month study funded by the ephedra industry. The FDA is weighing stricter regulation of ephedra products.

"All three reviews are consistent in their conclusions that the study was basically conducted well but it is not sufficient to address the safety of these products as they are used in the marketplace by the population at large," Charles W. Prettyman of the FDA's Center for Food Safety and Applied Nutrition wrote in a July 16 memo. "One reviewer was also concerned over the validity

of the results due to labeling mix-up between active and placebo" doses.

A May 14 memo from Prettyman said, "The product seems to offer some short-term weight loss." But the formulation used in the study "may or may not represent what is being marketed" and "controls, subject selection, exclusion criteria, and monitoring do not represent real world use conditions," he wrote.

Committee spokesman Ken Johnson said: "The industry has touted this study as its Good Housekeeping Seal of Approval. But based on the evidence we have seen, it does not adequately address the safety of ephedra-based dietary products."

A spokesman for the Ephedra Education Council, an industry group, could not be reached for comment. But the industry has consistently said that its products are safe and effective if used as directed.

More than a dozen witnesses, including Metabolife executives and the parents of two athletes whose deaths were linked to ephedra products made by other companies, are expected to testify before the House committee's oversight and investigations subcommittee. Committee Chairman Billy Tauzin, R-La., and subcommittee Chairman James C. Greenwood, R-Pa., have raised safety concerns about ephedra, which is largely unregulated.

Documents released by the committee this week indicate that ephedra-free products have played a larger role in Metabolife's marketing strategy as controversy and legal problems surrounding ephedra mount.

A weekly sales report to then-Chief Executive Officer David Brown in August 2002 discussed whether to introduce an ephedra-free product sooner than planned. The memo was prepared amid falling sales, following disclosures that the Justice Department was investigating whether company founder Michael Ellis had lied to the FDA regarding consumer complaints about Metabolife 356, its ephedra-containing flagship product.

The memo concluded that an early introduction of the ephedra-free product might lead retailers to conclude Metabolife was in serious trouble and start removing the company's ephedra supplements from store shelves.

"Accounts believe if 356 gets pulled it will bankrupt the company and they want to protect themselves and not get caught holding inventory that we cannot reimburse them for," Eric Larsen, vice president for sales and marketing, wrote. "The other issue is we don't know how much we could be scaring the consumer by having it changed out so quickly."

A June 12 memo to Brown from business consultants concludes that "Ephedra is done in the perception of the consumer (and ultimately will be killed by legal and insurance costs) and that all efforts should be to develop a scenario that is Ephedra-free and develops a better product and formula with "all the good and none of the bad."

Johnson said: "Publicly, Metabolife talks a lot about safety, but privately the operative word seems to be sales. The committee is deeply concerned that consumers may not be getting all the facts they need to make informed decisions."

A company representative could not be reached for comment.

The subcommittee subpoenaed Ellis, Brown and Daniel Rodriguez, described as a nurse who oversees Metabolife's call-complaint office, after they refused to appear voluntarily.

"They will be given every opportunity to tell their side of the story," Johnson said. "If they choose to plead the Fifth (Amendment) that's certainly their right, but no one is getting a free pass from this committee."

Metabolife CEO Russell Schreck and Vice President Robert Hermann are listed on the subcommittee's witness list, as is Michael Vasquez, a nurse and former Metabolife employee who has testified about the company's handling of adverse reaction reports from consumers and emergency room physicians.

Also among those slated to appear are the parents of two athletes whose deaths have been linked to ephedra: Baltimore Orioles pitcher Steve Bechler and Sean Riggins, a 16-year-old high school football player from Illinois.

Gun Shop's New Operator Gets License (Seattle Times)

By Steve Miletich

The Seattle Times, July 23, 2003

A federal firearms license has been granted to a new operator of Bull's Eye Shooter Supply, the Tacoma gun store that stocked the rifle used in last year's Beltway sniper slayings. He is a longtime friend of the previous owner, Brian Borgelt, whose dealer's license was revoked a month ago.

The new owner, Kris Kindschuh, will operate the store under the same name and at the same address, paying rent to Borgelt, who owns the building, Borgelt's lawyer said.

Borgelt, 39, will continue to own the upstairs gun range, according to lawyer James Frush.

The new license was granted by the federal Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) on Friday, an agency spokesman said.

Though names of federal firearms licensees usually are public, the spokesman, Scott McKinna, yesterday would not say who had taken over Bull's Eye.

Borgelt's license was revoked for four willful violations of federal recordkeeping laws that were uncovered after the sniper rifle was traced to his store and he couldn't show to whom he had sold it, as required by law. Police rely on sales records to trace weapons used in crimes.

"The important thing is Bull's Eye Shooter Supply is open and is going to be open at the same location," Frush said.

McKinna said Borgelt's records will be transferred to ATF's out-of-business center so they can continue to be used to trace crime guns.

Kindschuh, 39, previously held a gun dealer's license under a different business name, listed in the same building that houses Bull's Eye, which is a few blocks from the Tacoma Dome.

In order to get his new license, Kindschuh had to undergo a background examination by ATF. He couldn't be reached for comment.

Frush previously complained that federal officials deliberately were delaying giving a license to Kindschuh.

Frush said the ATF tried to get Kindschuh to change the store's name and required him to fire the Bull's Eye bookkeeper.

Federal investigators audited Bull's Eye's records last fall, shortly after the .223-caliber Bushmaster rifle used in the sniper shootings was traced to the store. Neither of the suspects in the shooting, John Muhammad nor Lee Boyd Malvo, legally was allowed to purchase a rifle: Muhammad was under a domestic-violence protective order; Malvo was a juvenile.

Borgelt could not explain how the rifle got out of his store, but Malvo has told investigators he shoplifted the weapon last summer, law-enforcement sources have said.

Malvo and Muhammad are awaiting trial in the sniper shootings, which left 10 people dead and several wounded in the Washington, D.C., area last fall.

The audit last fall found that Borgelt was unable to account for 78 guns in his inventory and that his sales records were in disarray.

It came two years after a 2000 audit showed 160 missing guns.

The latest audit triggered a continuing criminal investigation into Borgelt's operation and into allegations he failed to pay federal taxes.

Bull's Eye repeatedly has displayed indicators the ATF relies on to alert it to dealers that may be illegally trafficking in guns, according to ATF records: guns stolen from inventory; having at least 10 weapons a year traced to crimes; frequently selling multiple guns to individual buyers; and short times between gun sales and their involvement in crimes.

Borgelt plans to challenge his license revocation in federal court, Frush said.

IMMIGRATION:

Michigan To Test US Plan To Tether Immigrants In Attempt To Ease Crowding In Jail (DFP)

By Tamara Audi

The Detroit Free Press, July 23, 2003

Using Michigan as a test site, the federal government is quietly rolling out a national plan to put electronic tethers on illegal immigrants -- easing overcrowding in jails and allowing closer monitoring of immigrants who might otherwise skip court hearings or deportation proceedings.

This month, 11 illegal immigrants in Michigan were given electronic ankle bracelets, with more immigrants scheduled to be removed from jails in Macomb, Calhoun and Chippewa counties. About 180,000 of the nation's estimated 11 million illegal immigrants have been detained since Oct. 1.

The program signals the strain the immigration service is under as it tries to carry out new antiterrorism programs that have resulted in more detentions of immigrants.

It's also a step further into a post-Sept. 11 future that has some people wincing at the idea of the government restraining noncriminals and watching them go about their daily lives. But lawyers for jailed immigrants said the new program will allow their clients to spend their last months in the United States with their families, instead of languishing in jail at a cost to taxpayers of roughly \$80 a day.

In Detroit, where hundreds of mostly Arab visitors have been fingerprinted and some detained as part of a controversial national registration program, three county jails that house immigrants are in a space crunch.

Because of a backlog of cases in Detroit's immigration court, immigrants are waiting in jail for months before a hearing, their lawyers said. The government can detain an immigrant for up to 9 months before a federal judge has the power to order a release.

"They have too many people, and there's just no place to put them all," said Robert Birach, a Detroit immigration lawyer who said he hopes several of his clients are eligible for the tethers. "We're talking about some people who don't have criminal records being held."

The federal government rents space in jails to hold detained immigrants until they are deported or have court hearings.

The tether plan was unveiled at a private meeting of immigration officials and lawyers Monday at the abandoned former international terminal of Detroit Metro Airport, according to several people who attended the meeting.

Anchorage, Alaska, was the first immigration office to begin tethering illegal immigrants, federal officials said. But the Detroit program is considered the test site because of its much larger immigrant population, they said. "The success of the Detroit program will be closely monitored," said Temple Black, spokesman for the Bureau of Immigration and Customs Enforcement. The bureau "intends to slowly and methodically expand the program to other field offices."

The program will be offered primarily to immigrants with no violent criminal past, according to the government document spelling out the policy. Immigrants with tethers will have curfews, and may only be allowed to leave the house for work, religious services or doctor visits.

The tether sends an electronic signal through the immigrants' home phone that lets the government know when the immigrant has entered or left his house.

Until now, tethers have been reserved for criminals considered safe enough to serve their sentences outside prison -- a fact that has not escaped some immigrant advocates with mixed feelings about the program.

"It's definitely better than detaining people and keeping them away from their families," said Rana Abbas-Chami, spokeswoman for the American Arab Anti-Discrimination Committee. "So OK, we're not detaining them, but do we want to treat them like criminals?"

Some immigration-control advocates said the best way to relieve overcrowding at jails is to build more federal detention centers to house illegal immigrants. In Michigan, about 3,000 prisoners or parolees are on electronic tethers. Some had been convicted of assault crimes, a prison spokesman said.

There's not much to stop an illegal immigrant who knows he will be deported from cutting the tether and running, said Dan Stein, executive director of the Federation for American Immigration Reform.

Stein said he has one question: "Is the U.S. government going to have the resources or incentive to follow up on people who go outside the tether area or cut it off and disappear?"

Ex-Norfolk Airport Worker Fined In Immigration Case (Virginian-Pilot)

By Tim McGlone

The Virginian-Pilot , July 23, 2003

NORFOLK -- A Philippines native who claims her family never told her she wasn't a U.S. citizen was fined \$100 in federal court Tuesday after pleading guilty to violating Norfolk airport security by failing to disclose her immigration status on an employee security form.

Lady Ann Quiambao, 22, also was placed on probation for a year after pleading guilty to entering a secure area of Norfolk International Airport without proper clearance.

Quiambao was part of a group of Norfolk airport workers accused of lying on application forms for security badges. The badges allow access to secure areas of the airport.

Quiambao was hired by Hudson News in July 1999 and worked part time at an airport newsstand located beyond a security checkpoint. She left the job in October 2000.

After the Sept. 11, 2001, terrorist attacks, the FBI conducted background checks on current and former airport workers who had received security badges. Quiambao's name surfaced because she said on her application that she was a U.S. citizen, according to court records.

She has been in this country since she was 11 but never knew she wasn't a U.S. citizen until she received a notice last year from the then-Immigration and Naturalization Service, her attorney, Stephen Heretick, said.

Quiambao had been charged in a six-count indictment but pleaded guilty to the lesser charge of entering a secure area of the airport without permission. The misdemeanor charge carries a maximum penalty of a year in jail and a \$100,000 fine.

Magistrate James E. Bradberry said he did not want to punish Quiambao, a Virginia Beach resident, harshly and jeopardize her efforts to obtain U.S. citizenship. An immigration case against her is pending.

Quiambao has held a steady job, is a student at a local college and is married to a U.S. citizen. She had no comment Tuesday.

She was one of 30 people named in the case, dubbed Operation Plane View. The Justice Department has taken a strict stance on violations of airport security since the Sept. 11 attacks, but most of the airport cases here have been dismissed.

Inside Politics (WTimes)

By Greg Pierce

The Washington Times, July 23, 2003

'The silliest grin'

"Wow, what a day," writes Tammy Bruce, author of "The Death of Right and Wrong," in an e-mail message. "Jessica Lynch comes home, we nail [Saddam Hussein's] two sadistic mutts, and the Eiffel Tower catches fire.

"I've been walking around with the silliest grin on my face all day long."

Cartoon police

Rep. Christopher Cox, California Republican and chairman of the House Homeland Security Committee, criticized the Secret Service yesterday for interrogating Los Angeles Times editorial cartoonist Michael Ramirez.

Mr. Ramirez got into hot water with the feds for a recent cartoon, based on a famous photograph from the Vietnam War, which depicted President Bush with his hands bound while a man labeled "Politics" prepares to shoot him in the head. The background of the drawing is a cityscape labeled "Iraq."

"Those of us in Southern California are used to seeing Michael Ramirez's political cartoons in the Los Angeles Times," Mr. Cox said yesterday in a prepared statement. "They are amusing, insightful, sometimes historical, sometimes biting - but never illegal. I was disappointed to read that the U.S. Secret Service, according to an agency spokesman, was considering 'what action, if any, could be taken' against Mr. Ramirez for his recent cartoon depicting political attacks on President Bush."

Mr. Cox, in a letter to Ralph Basham, director of the Secret Service, said: "The use of federal power to attempt to influence the work of an editorial cartoonist for the Los Angeles Times reflects profoundly bad judgment."

Lack of clout?

Joe Garcia, executive director of the Cuban American National Foundation, lashed out at three Cuban-American members of Congress yesterday for lacking the clout to prevent the forced return of 15 Cubans to the communist island.

The Cubans, who were returned Monday, had fled the island to the United States on a stolen boat. They now face up to 10 years in a Cuban prison for armed robbery and kidnapping. Cuban dictator Fidel Castro promised they would not be charged with hijacking, which could bring the death penalty.

The foundation is usually seen as a strong ally of the Republican Party, but Mr. Garcia singled out three Republican members of Congress from South Florida - Reps. Ileana Ros-Lehtinen, Lincoln Diaz-Balart and Mario Diaz-Balart - for not having more influence with the White House.

"This is a betrayal by this administration," Mr. Garcia said. "And what it demonstrates is the impotence of our Republican congressmen within this Republican administration. When you sell yourself cheap, you get treated cheaply."

Nevada raises taxes

The Nevada state Legislature passed a record \$836 million tax increase by two-thirds majorities in both houses, averting what one lawmaker called a potential constitutional crisis over a recent state Supreme Court ruling.

A deadlock that gripped the Legislature for months ended just before midnight Monday when both houses approved the plan that hits casinos, smokers and others to fund schools and state services.

Senators voted for it 17-2, and the Assembly gave final approval with a 28-14 vote - exactly a two-thirds majority - less than an hour later.

Gov. Kenny Guinn, a Republican and a strong backer of higher taxes, was expected to sign it into law yesterday, the Associated Press reports.

Mr. Guinn had won a legal victory July 10 when the state Supreme Court nullified a part of Nevada's Constitution that required two-thirds of both houses to approve any tax increase. The court ruled that the constitutional requirement to fund schools outweighed the voter-approved mandate making it harder to increase taxes.

So while lawmakers just needed a simple majority, not two-thirds, for Monday's vote, they got two-thirds anyway. That reduces the urgency of any appeal to the U.S. Supreme Court on the state justices' decision.

A panel of federal judges had stayed the state Supreme Court decision, but then ruled last week that they had no jurisdiction and let it stand.

Top tier

Former Vermont Gov. Howard Dean and Sens. John Kerry and Joe Lieberman are bunched together in the top tier of Democratic presidential candidates in California, a new poll shows.

Mr. Dean was favored by 16 percent of those likely to vote in the state's Democratic primary in March, said a poll released yesterday by the nonpartisan Field Research Institute. He was followed closely by Mr. Kerry of Massachusetts at 15 percent and Mr. Lieberman of Connecticut at 14 percent, the Associated Press reports.

The poll, conducted between July 1 and July 13, surveyed 1,040 registered voters by telephone and had a margin of error of five percentage points.

It found that 33 percent of likely Democratic voters were undecided.

The poll reported that just 7 percent of likely Democratic voters favored Rep. Richard A. Gephardt of Missouri - compared with 12 percent in April. Sen. John Edwards of North Carolina, who has shown prodigious fund-raising talent but has struggled to break out of the pack, was favored by just 4 percent of likely California voters.

Sen. Bob Graham of Florida, Rep. Dennis J. Kucinich of Ohio and black activist Al Sharpton followed with 3 percent. Former Sen. Carol Moseley Braun of Illinois had 2 percent support.

That other library

Just a few blocks from the future site of Bill Clinton's \$160 million presidential library in Little Rock, Ark., a couple of Clinton foes hope to open a museum devoted to mocking his presidency.

"As long as he's talking, we'll have to be here trying to keep him somewhat honest and stop him from rewriting history," says John LeBoutillier, a former Republican congressman from New York who rode Ronald Reagan's coattails to victory in 1980.

Mr. LeBoutillier and his partner, Houston businessman Richard Erickson, plan to call it the Counter-Clinton Library. They say the museum here and one planned for Washington will look at such topics as Whitewater, Monica Lewinsky, the last-minute pardons, even damaged White House furniture, the Associated Press reports.

"We already hear he's going to bring a bunch of egghead economists to his library to say how great the economy was when he was president," Mr. LeBoutillier says. "And we'll find our own who can say it had nothing to do with him."

The two partners hope to open their place the same day that Mr. Clinton's opens in November 2004. They say they will need \$5 million. Mr. LeBoutillier says thousands of donations have come in and the average one is \$72, but he will not say exactly how much has been raised so far.

The 'prophet'

Readers will note that The Washington Times on July 14 reported NAACP Chairman Julian Bond's disparaging remarks about Republicans - something about the dark underside, as you may recall. But believe it or not, Mr. Bond did show some restraint.

In his prepared remarks, which were released to the press around 1 p.m. on July 13, the day of Mr. Bond's inflammatory speech, the former Georgia lawmaker included a sentence that was later omitted: "In coded racial appeals, they embrace Confederate leaders as patriots and wallow in a victim mentality."

Strong rhetoric, but the audience at the Miami Beach Convention Center was prepared for something almost otherworldly after Florida NAACP President Adora Obi Nweze introduced Mr. Bond as being "preordained" and compared him to Jeremiah, the Old Testament prophet.

One Town's Struggle To Accept Immigrants (CSM)

An influx of immigrants has brought tension - and violence - to a Long Island community.

By Leon Lazaroff

The Christian Science Monitor, July 23, 2003

FARMINGVILLE, N.Y. - Walking by the remains of a firebombed clapboard home that was formerly occupied by a family of Mexican immigrants, Pedro Escorza Vargas shrugs incredulously.

"This was racism," says Mr. Vargas, a Mexican day laborer. "Most of the people here know we just want to work, but there are some that hate us."

Just after midnight on July 5, long after local Independence Day firework displays had ended, a flammable device was thrown into a small two-story house in this semi-suburban Long Island town. The house, with a family sleeping inside, was quickly enveloped in flames. Neighbors who heard the blast helped ferry the family out of the home without injury.

Though Suffolk County police initially stopped short of calling the firebombing a "bias crime," officer Robert Reece said last week that after more investigation, "it looks like they have been targeted because of who they are." The FBI has also become involved.

Like other towns that have experienced a sudden influx of immigrants, Farmingville has become a flash point for those angry about the rising presence of nonwhite immigrants, mostly from Mexico and Central America, but also from Africa, India, China, and other parts of Asia. Although a virulently anti-immigrant group based in Farmingville lost much public support during the past year, the firebombing suggests hostilities haven't vanished. Indeed, the incident highlights the tensions sometimes produced when a sizable number of immigrants take up residence in places well removed from urban centers.

"How immigrants or any new group is met by those who have lived there for a while depends on the community itself," says Mark Pitcavage of the Anti-Defamation League, which tracks the operations of hate groups nationwide. "Some communities are able to assimilate these people. Some tolerate and even welcome them. Some go in the opposite direction."

For immigrants and their advocates, the location of the arson attack erased any doubt that the incident was meant to intimidate the 3,000 or so Latino immigrants that live and look for work in the town. Immediately next door to the firebombed house, now boarded up, lies the home once occupied by two Mexican laborers who were nearly killed after being picked up in Farmingville in 2000 by a pair of white supremacists masquerading as contractors. The laborers, both undocumented immigrants, were taken to an abandoned industrial park in a neighboring town and attacked with a pole-hole digger and a knife.

Back then, suspicions fixed on a highly visible anti-immigrant group called the Sachem Quality of Life Organization. However, the pair later convicted of attempted manslaughter and sentenced to 25 years in prison were neither members of Sachem nor residents of Farmingville. Rather, one lived in Queens and the other elsewhere on Long Island.

Ed Person, president of Sachem, flatly states that none of his members had anything to do with this month's firebombing. He adds, "If the federal and state governments were enforcing the law against these illegal aliens, a lot less of these problems would be going on."

The furor over undocumented immigrants is a product of Long Island's geography, which shapes the area's insular lifestyle, says Charles Funk, who helped form Brookhaven Citizens for Peaceful Solutions, a community group to counter Sachem.

Mexican and Central American immigrants, some with papers but many without, have been gradually but steadily moving to towns and villages on Long Island for more than 20 years. Contractors, eager for cheap labor, have been quick to offer them work.

"Long Island is really very provincial," Mr. Funk says. It's a "dead-end island," he calls it, because to get away by land, drivers must pass through Brooklyn, Queens, or the Bronx.

Farmingville, pop. 15,000, is a mostly middle-income community of bungalows and ranch houses broken up by strip malls. The town itself is on land that belies its name: Its sandy pine soil and soft hills have never made for easy farming.

In 1998, Sachem began holding public meetings at the local firehouse. They called on politicians to pressure the Immigration and Naturalization Service to deport the rising number of men who waited for day-laborer work in front of town convenience stores.

Sachem's leaders had little trouble attracting 300 or more people at meetings or gathering a few dozen for pickets at day-laborer hiring sites. Police often had to be present to separate Sachem's members from groups of immigrants.

Through its local cable-television show, "Whose Community Is It Anyway?" Sachem charges that Farmingville's Latino immigrants have brought crime and congestion to the town while depressing local wages and squeezing town services. Suffolk County police, though, say there has been no increase in crime.

About a year ago, many Sachem members left the group when its newest leaders began aligning more closely with a network of armed militia groups operating in Arizona and Texas. In doing so, Sachem began to publicly embrace the theory that the Mexican government was encouraging emigration to the US as part of a larger plan to retake the southern half of North America.

In June, Chris Simcox, head of the Civil Homeland Defense, a vigilante border group that operates out of Tombstone, Ariz., headlined Sachem's annual conference, attended by just a handful of people. "Sachem's radical leadership was overthrown by an even more radical leadership," says Patrick Young, director of the Central American Refugee Center in Hempstead, Long Island.

Though Sachem was exonerated from the 2000 assault and may have had nothing to do with the recent firebombing, Mark Potok of the Southern Poverty Law Center in Montgomery, which also tracks hate groups, says the group's rhetoric fosters a climate of distrust and antipathy that makes bias crimes possible.

"I would say there is very little question that attacks on immigrants are on the rise," Mr. Potok says.

One former Sachem member, Bill Murphy, a state worker, says he's not against immigration as long as it's controlled and legal. Mr. Murphy has since helped start Concerned Residents for a Better Brookhaven. "The vast majority of people in this town favor immigration," he says - "but legal immigration."

TAX:

Lawyer Barred From Selling Tax Schemes (LAT)

Torrance attorney is also ordered to identify his clients, six of whom allegedly owe the U.S. more than \$9.5 million.

By Kathy M. Kristof

The Los Angeles Times, July 23, 2003

A federal crackdown on suspected tax cheats has claimed a Torrance-based tax attorney, who has been barred permanently from promoting abusive tax schemes over the Internet and in person, Justice Department officials said Tuesday.

A federal judge in Los Angeles also ordered Eduardo Marmolejo Rivera to provide government investigators with the identities of his clients and to post the judge's injunction on his Web site, <http://www.EdRivera.com>.

The Internal Revenue Service maintains that six of Rivera's clients, who allegedly chose to "opt out" of the federal income tax system at Rivera's urging, owe the federal government more than \$9.5 million in taxes, interest and penalties.

"The Department of Justice and the IRS are determined to shut down the promotion of tax-evasion schemes," Eileen J. O'Connor, assistant attorney general in charge of the tax division, said in a prepared statement. "People who encourage others to violate the law will be stopped and brought to justice."

Rivera did not return a reporter's phone calls.

The case against Rivera is one of several dozen that the IRS is pursuing in a redoubled effort to crack down on individuals and companies that promote tax-evasion techniques.

Although statistics are scarce, industry experts believe that tax evasion has burgeoned over the last decade, as IRS enforcement has diminished as the result of a lower budget and reductions in staff.

Now, with estimates of tax revenue lost to cheating in the hundreds of billions annually, the agency has won congressional support to hire more examiners and pursue cheaters much more aggressively. The agency is focusing on promoters such as Rivera both to stop them from selling abusive tax techniques and to get lists of their clients, whom the IRS then targets for audits.

"There is a focused effort to go after promoters - both the mills that crank out false returns and those that promote false information," said Robert F. Conte, the assistant U.S. attorney handling the Rivera case. "It's a targeted use of our resources."

According to government legal filings, Rivera promised legal opinions and letters that would "inspire and assist" his clients who wanted to stop paying federal income taxes. Rivera sold legal opinions for \$100 to \$2,000 maintaining that paying income taxes is strictly voluntary for most citizens - a common argument of tax protesters. According to Rivera's Web site, he also offered to represent clients before the IRS for a retainer of \$3,500.

Rivera also was charged with urging his clients' employers not to withhold taxes from the employees' wages. In an unrelated action a week ago, the IRS sued employers in three states for having failed to withhold taxes from workers' wages.

"There is nothing original about his claims, but they are certainly damaging to innocent purchasers of this stuff," Conte said. "We will be watching his Web site to make sure he posts the injunction."

Feds Sue Quakers To Recoup 42g In Taxes, Interest Owed By Aide (Philadelphia Daily News)

By Jim Smith

The Philadelphia Daily News, July 23, 2003

The IRS wants tax money from Philadelphia Quakers in a lawsuit that one defense lawyer calls "an attack on the church."

U.S. Justice Department lawyers yesterday sued the Philadelphia Yearly Meeting of the Religious Society of Friends for refusing to help the IRS collect about \$42,000 in back taxes, interest and other charges from one of the society's employees.

The employee is Priscilla L. Adams, a pacifist and war-tax resister for nearly 30 years who doesn't want tax dollars going to the military.

Adams, of Willingboro, N.J., a Quakers fieldworker on peace and justice issues in South Jersey, failed to pay federal income taxes between 1986 and 1996, the suit states.

The lawsuit contends that the Quakers are responsible for paying Adams' entire \$42,000 tax debt, plus an additional \$21,000 "penalty."

The penalty is owed, the government claims, because the Yearly Meeting, based on Cherry Street near 15th in Center City, refused to turn over her wages to the IRS when it sought to collect the debt in recent years.

"I'm disappointed in the Bush administration, which claims to be more friendly to religion," said the Quaker's attorney, Peter Goldberger, of Ardmore.

"That they would go after a major religious institution on a matter of religious principle - I don't think they should have done it."

The Yearly Meeting has about 13,000 members in more than 100 congregations in southeastern Pennsylvania, central and southern New Jersey, Delaware and Maryland's Eastern Shore.

Many Quakers are pacifists who believe that they would be violating a tenet of their faith if they paid taxes that support war.

Followers say they would prefer to earmark their taxes for highways and schools or other non-military uses, but the government refuses to accommodate them, so they simply refuse to pay any taxes.

Earlier court rulings, however, support part of the government's legal action. More than a dozen years ago, the IRS won two similar lawsuits in Philadelphia against the Quakers.

But in those earlier cases, U.S. District Judge Norma Shapiro rejected the IRS' demand for a 50 percent penalty, saying the Quakers had reasonable grounds to challenge IRS levies on employees' salaries.

"It is ironic," Shapiro wrote back then, "that here in Pennsylvania, the woods to which Penn led the Religious Society of Friends to enjoy the blessings of religious liberty, neither the Constitution nor its Bill of Rights protects the policy of that Society not to coerce or violate the consciences of its employees and members."

IRS Targets Metro Muffler Shop (Denver Post)

Suit against Northglenn business part of sweep to compel employers to withhold taxes

By Tom McGhee

The Denver Post, July 23, 2003

A Colorado muffler shop and its officers are targets of Internal Revenue Service efforts to compel businesses to withhold taxes from employees' paychecks.

Three suits filed in U.S. District Courts in Denver and Sacramento, Calif., this week are aimed at employers who claim the federal tax code doesn't require most Americans to pay taxes on their wages.

The government for years has waged court battles against advocates of the theory that Section 861 of the tax code applies mainly to foreign-owned businesses.

The suit filed Monday against Colorado Mufflers Unlimited of Northglenn and its officers claims the company owes more than \$210,000 in unpaid and mistakenly refunded taxes.

"Colorado Mufflers and its officers attempt to justify their illegal conduct by the patently frivolous 'Section 861' argument," U.S. Justice Department attorneys said in the suit, filed on behalf of the IRS.

Richard Rudd Sr., Dolores Rudd, Sherilyn and George Gallegos and Richard D. Rudd Jr., who are named as the business owners in the suit, couldn't be reached for comment.

The government also sued two California businesses Monday in Sacramento.

Since the beginning of the year, the department has filed four suits seeking to halt promoters of 861 schemes. Among those targeted are Thurston Bell, founder of the National Institute for Taxation Education.

A suit in federal court in Harrisburg, Pa., claims Bell uses his organization's website to promote 861 schemes to potential clients.

In Monday's suits, the department is asking the court to issue an injunction requiring the defendants to pay back and future taxes. "It is part of the overall IRS strategy to use civil injunctions and criminal actions to persuade these fellows to come back into compliance," IRS spokesman John Harrison said.

The IRS can take administrative actions to get the money back, said Drew Wade, a spokesman for the Justice Department. "Typically, we go in after those have been exhausted with no relief," he added.

The government contends the law requires employers to withhold federal income and Federal Insurance Contributions Act taxes from wages as they are paid. Employers also must pay a share of the FICA taxes, which are used to fund Social Security and Medicare programs, and must pay federal unemployment taxes.

Colorado Mufflers, which has had nine employees since 1999, stopped paying the taxes in 2000, the suit read. The firm also filed amended forms in August and September 2000 falsely reducing all previously reported wages and tax liabilities to zero, the suit stated.

The amended forms led the IRS to issue Colorado Mufflers undeserved refunds of \$88,768.

In May, a federal district court ordered the company to return the refunds.

The IRS unsuccessfully warned the company repeatedly over the past two years to withhold the taxes. "The individual defendants have professed their intention to continue to flout the internal revenue laws," the suit said.

Abolish The Income Tax And The IRS (WSJournal)

Letter to the editor Rep. John Linder (R., Ga.)

The Wall Street Journal, July 23, 2003

Washington - In your July 11 editorial "Flat Tax Fever" you assert that it would be in America's interest to enact a flat income tax system. To which I said, "Again?"

The income tax code we have today, which everyone has come to know and love, is a flat tax on income -- 90 years later. Indeed, we passed a fairly flat code in 1986 only to amend it 6,000 times since then. The IRS code has made criminals of us all and it's time for it to go away.

In July 1999, I first introduced the FairTax. Earlier this year, I re-introduced this legislation as H.R. 25. My proposal would shift the federal government's funding paradigm from income-based taxes to a personal consumption tax.

First, the FairTax repeals all federal personal income taxes, corporate income taxes, payroll taxes, self-employment taxes, capital-gains taxes, and gift and estate taxes. The FairTax would replace all of the burdens associated with these income taxes with a revenue-neutral 23% sales tax on all retail sales of new goods and services. That's it: a simple, fair, privacy-protecting, transparent, easy-to-understand and industry-neutral personal consumption tax.

One of the most compelling studies we commissioned was completed by Harvard economist Dale Jorgenson. He argues that 22% of what you currently spend at retail is the embedded cost of the current tax code. In effect, we are already paying this tax. A 23% embedded tax would fund the government at current levels, but you would keep your whole check. You would become a voluntary taxpayer paying taxes when you choose, as much as you choose, by how you choose to spend.

My proposal also provides for every family to get a check at the beginning of every month to totally rebate the tax consequences of spending up to the poverty line. Thus people living at or below the poverty line would get a 22% increase in purchasing power.

The current income tax system frequently costs more to comply with than it generates in revenues. For small businesses, it costs roughly \$700 to remit \$100 in revenues. Some who have studied the tax code's complexities and compliance costs estimate its overall compliance cost at hundreds of billions of dollars. By abolishing it and the Internal Revenue Service, the FairTax solves these problems.

All of the time, energy and cost devoted to complying with the tax code would be directed, instead, toward productive economic behavior. Using a very conservative estimate of \$250 billion in total income tax compliance costs, enacting the FairTax represents a \$2.5 trillion economic stimulus package over 10 years, dwarfing the 10-year, \$335 billion proposal Congress presented a few weeks ago. Imagine all of the jobs that could be created by U.S. businesses if they could invest \$2.5 trillion into research, development, capital equipment and technology.

CONGRESS-ADMINISTRATION:

Schumer Strikes Deal To Fill Every Federal Judge Slot In State (AP)

By Devlin Barrett

The Associated Press, July 22, 2003

WASHINGTON -- Sen. Charles Schumer said Tuesday he has struck a deal with the White House and Gov. George Pataki to fill every open federal judgeship in New York state _ and even some that aren't empty yet.

The New York Democrat made the announcement even as four of the agreed-upon nominees, all slated for openings in the New York City area, breezed through a Senate Judiciary committee confirmation hearing.

The full Senate still has to vote on the four: Stephen Robinson, Kevin Castel, Richard Holwell, and Sandra Feuerstein. Schumer's announcement mentions five others, some who have not yet been formally nominated. The list includes Gary Sharpe to the Northern District and Sandra Townes to the Eastern District.

Sharpe is a federal magistrate judge in Syracuse, and Townes is a former Syracuse prosecutor now serving on the state appellate bench in Brooklyn.

But another wrinkle arose Tuesday in the judicial selection process: a majority of the American Bar Association's review committee has found judicial nominee Dora Irizarry, a former Republican candidate for statewide office, "not qualified" for the federal bench.

Irizarry ran for state Attorney General on the GOP ticket with Pataki last year, but lost to Democrat Eliot Spitzer. Her nomination for a judgeship has been supported by Schumer.

Schumer, who is leading the Senate Democrats' fight against a handful of President Bush's nominees, said the agreement on New York judges shows he is happy to work with Republicans to promote any judge without strong ideological positions.

The bipartisan agreement on the four New York nominees who appeared before the panel Tuesday stands in "stark contrast" to the ongoing fight over a handful of other potential judges, Schumer said.

Democrats have filibustered to block the nominations of Miguel Estrada and Texas State Supreme Court Justice Priscilla Owen, and have threatened filibusters for some others.

Governors do not traditionally have much input in the federal judicial selection process, but Pataki has more influence than usual because both New York senators are Democrats during a Republican administration.

In making the announcement, Schumer said all sides had agreed that Paul Crotty, a member of the Lower Manhattan Development Corp., who was corporation counsel to Republican New York City Mayor Rudolph Giuliani and former commissioner to Democratic Mayor Ed Koch, will be tapped for the next opening in Manhattan federal court.

The sides have also agreed on a judge for any future opening that arises in the Eastern District, Schumer said. That could be good news for Staten Island District Attorney William Murphy, who has been touted previously by Schumer for a seat on the federal bench.

In addition, Schumer said Kenneth Karas, a longtime terrorism prosecutor now part of the team trying to convict alleged Sept. 11 plotter Zacarias Moussaoui, will be nominated to the same district court in New York.

The senator's office said Karas is currently undergoing a background check in preparation for being nominated.

Irizarry, a former state judge, has been tapped by President Bush for a seat in the Eastern District of New York. If confirmed, the native of Puerto Rico would be the first Hispanic on that bench.

The ABA's review committee found, by a majority of 14 voting members, Irizarry was unqualified for the bench. A minority found her qualified, said ABA staffer Gail Alexander.

Justice Department spokesman Mark Corallo said the administration "continues to support all of the president's highly qualified nominees."

Pataki spokesman Joseph Conway said the governor "has full confidence" in Irizarry.

The ABA's influence on the judge-picking process has waned recently. Two months after taking office, President Bush announced he was ending a 50-year-old practice of the White House seeking ABA reviews of candidates for judgeships.

The decision on Irizarry follows a finding by the Association of the Bar of the City of New York that also found her "unqualified."

After reports of that decision, Schumer said he would continue to support her nomination.

An Extremist Judicial Nominee (NYTimes)

Editorial

The New York Times, July 23, 2003

The Senate Judiciary Committee could vote as early as today on the nomination of the Alabama attorney general, William Pryor, to a federal appeals court judgeship. Mr. Pryor is among the most extreme of the Bush administration's far-right judicial nominees. If he is confirmed, his rulings on civil rights, abortion, gay rights and the separation of church and state would probably do substantial harm to the rights of all Americans. Senators from both parties should oppose his confirmation.

Mr. Pryor, who has been nominated for a seat on the Federal Court of Appeals for the 11th Circuit, based in Atlanta, has views that fall far outside the political and legal mainstream. He has called *Roe v. Wade*, the landmark abortion-rights ruling, "the worst abomination" of constitutional law in our history. He recently urged the Supreme Court to uphold laws criminalizing gay sex, a position the court soundly rejected last month. He has defended the installation of a massive Ten Commandments monument

in Alabama's main judicial building, which a federal appeals court recently held violated the First Amendment. And he has urged Congress to repeal an important part of the Voting Rights Act.

Moderates in the Senate and in the legal community have repeatedly called on the Bush administration to stop trying to stack the federal judiciary with far-right partisans like Mr. Pryor. But the White House and its supporters have chosen instead to lash out at these reasonable critics. In a shameful bit of demagoguery, a group founded by Boyden Gray, a White House counsel under the first President George Bush, has run newspaper ads accusing Mr. Pryor's critics in the Senate of opposing him because he is Catholic.

At today's committee meeting, much of the attention will be on Arlen Specter, the Pennsylvania Republican who could cast the deciding vote. Mr. Specter owes it to his constituents to break with the White House and vote against Mr. Pryor, whose extremist views are out of step with most Pennsylvanians'. Standing up for an independent, nonideological judiciary is an urgent cause, and one that should find support on both sides of the aisle.

Medicare Bills' Price Tags Top The \$400 Billion Cap (WSJournal)

By Sarah Lueck

The Wall Street Journal, July 23, 2003

WASHINGTON -- The price tags of the House and Senate Medicare bills would surpass the \$400 billion limit set by President Bush and Congress, according to new estimates from the Congressional Budget Office.

The Senate bill would cost \$461 billion over 10 years, the House version \$408 billion over the same period, the CBO said. Approved last month, the measures had aimed to stay below the \$400 billion specified in earlier budget legislation.

But momentum was building among senators to strip out an estimated \$40 billion provision in their bill that would require certain disclosures by companies administering the drug benefit. Senate aides said the House bill has other costs: creating tax preferred health savings accounts that would cost the Treasury \$174 billion in lost revenue over 10 years.

The new numbers add another challenge to the debate over providing a drug benefit in Medicare, the federal program for the elderly and disabled.

Remaking Medicare: Full coverage of the ongoing Medicare debate, plus commentary and analyses.

House and Senate negotiators have barely begun to reconcile their differences over the complex legislation. Now they must consider how to scale back the costs of both bills.

In broad terms, the bills are similar. They spend close to the same amount providing coverage for medications, and they take steps to increase the availability of private insurance plans as an alternative to government-run Medicare. But there are many differences, most of which aren't expected to be taken up until the fall.

Administration officials attempted to energize the discussions ahead of a meeting scheduled for Wednesday between President Bush and key lawmakers. Health and Human Services Secretary Tommy Thompson told reporters that it "appears likely" that negotiators will agree this week on a relatively minor portion of the legislation that would make regulatory changes to Medicare.

The administration, focusing on getting a deal, hasn't formally said it prefers one bill over the other. But officials said the final product should increase the role of private insurers in providing all medical benefits and raised concerns that the Senate bill doesn't go far enough in that direction. One concern: a provision in the Senate version, supported by many rural lawmakers, that would provide a government-run drug benefit as a fallback in areas where private plans don't offer one. Officials said that system would put the government in the position of either fixing prices on drugs, which has been opposed by the industry, or overpaying, as it tends to do on the few outpatient drugs Medicare covers.

The \$40 billion provision, which might be removed from a final bill, would require the private companies administering the drug benefit -- called pharmaceutical-benefit managers or PBMs -- to report the discounts they negotiate with pharmaceutical companies. The CBO found that if PBMs were required to make such disclosures, they would have less ability to get low prices from drug makers. But supporters of the provision disagreed. "It's unclear to us how disclosure can cost \$40 billion," said an aide to Sen. Maria Cantwell (D., Wash.), who sponsored an amendment adding the requirements.

Medicare Bills' Costs Exceed Bush Limit (LATimes)

By Vicki Kemper

The Los Angeles Times, July 23, 2003

WASHINGTON - With the Medicare conference committee still basically inactive 25 days after the House and Senate passed competing reform bills, cost estimates released Tuesday show that both measures exceed President Bush's 10-year, \$400-billion spending limit.

The side-by-side comparison of the bills prepared by the nonpartisan Congressional Budget Office offered a little something for everyone - except, perhaps, Medicare beneficiaries hoping for a more generous prescription-drug benefit.

The conference committee chairman, Rep. Bill Thomas (R-Bakersfield), said last week - at the panel's first and only meeting so far - that he was waiting for the CBO numbers before beginning serious negotiations.

Although the budget office on Tuesday projected that the House bill, for example, would cost taxpayers \$571 billion over 10 years, Thomas and Rep. W.J. "Billy" Tauzin (R-La.) said in a joint statement that the CBO had pegged the bill's cost at \$408 billion.

The CBO said that the \$408-billion figure (later revised downward to \$405 billion) represented only the bill's direct spending for a prescription-drug benefit and other Medicare reforms.

After congressional budgeteers factored in administrative costs, revenue savings and \$174 billion in tax revenues lost to a new health savings account, the cost estimate ballooned to \$571 billion.

Yet the Thomas-Tauzin statement included a "pledge" to keep the cost of a compromise bill "under the \$400-billion figure."

Budget officials and congressional aides said that only two scenarios would make that possible:

The first, considered highly unlikely, would have House Republicans surrendering the health-savings account in conference. More likely, however, House Republicans will consider the cost of the health-savings accounts to be separate from the budget allocation for Medicare reform, even though they are included in the bill.

The math for the Senate bill was only slightly less complicated.

The CBO estimated that the Senate bill's core Medicare reform and prescription-drug provisions would cost \$421 billion over 10 years.

Add to that \$4 billion in other costs, subtract \$25 billion in revenue savings - and the total cost figure is exactly \$400 billion.

Of course, it's not quite that simple.

Budget analysts reached the \$400-billion figure only by excluding, at the request of Senate Majority Leader Bill Frist (R-Tenn.), an amendment sponsored by Sen. Maria Cantwell (D-Wash.) that would require pharmacy-benefit managers to publicly disclose the results of their discount negotiations with drug companies.

If Cantwell's amendment is included in the estimate, the cost of the Senate bill jumps to \$440 billion.

Congressional aides said Tuesday that it was unclear how, or if, the new cost estimates would affect the committee's attempts to produce a compromise Medicare bill.

In the meantime, the committee's vice chairman, Sen. Charles E. Grassley (R-Iowa), has been meeting with Republican and Democratic senators on the committee, and Bush has extended an invitation to all members of the panel to meet with him at the White House today.

With the House wrapping up its summer schedule Friday and the Senate scheduled to begin its August recess at the end of next week, the committee's slow start ensures that Medicare negotiations will continue into the fall.

Fewer Retirees Get Drug Coverage From Employers (NYTimes)

By REEDABELSON

The New York Times, July 23, 2003

The number of people retiring with health insurance from their employers has dropped significantly since 1996, according to a new study, leaving many recent retirees without coverage for prescription drugs.

The study, which was conducted from interviews of Medicare beneficiaries 65 to 69 years old, appears today on the Web site of Health Affairs, an academic journal.

While the overall percentage of Medicare beneficiaries with employer-sponsored coverage has remained relatively steady, according to the study, the percentage of younger Medicare beneficiaries with coverage fell to 39 percent in 2000 - the most recent information available - from 46 percent in 1996.

The study shows that future decreases in the number of retirees covered under their employers plans is "starting from a base that is lower than most people believe," Bruce Stuart, one of the study's authors, said. Mr. Stuart is the executive director of the Peter Lamy Center on Drug Therapy and Aging at the University of Maryland School of Pharmacy.

The findings, Mr. Stuart said, emphasize the need for a Medicare benefit as well as the importance of structuring the government coverage in a way that helps preserve employer-sponsored coverage.

Many employers are pressing for passage of the legislation, but there is considerable debate in Congress over how to discourage companies from dropping the policies they now offer. Many retirees rely on their employers' coverage to pay for prescription drugs that are not covered under the Medicare program, and there is concern that the Medicare benefit could leave them with coverage that is significantly less generous than what they receive from an employer.

"People are going to be very, very disappointed in what they get," Mr. Stuart said.

The House and Senate, which are now in conference to work out a bill, need to address "the need for strong assurances about retiree health coverage," said John Rother, director for policy and strategy for AARP, which lobbies for older Americans. "We do not want them to just ignore it."

How employers would react to a Medicare prescription-drug benefit is unclear, given that many companies are already cutting their coverage. The Employee Benefit Research Institute, for example, recently released an analysis suggesting that only a fraction, from 2 percent to 9 percent, of current retirees with employer coverage are at risk for losing it solely because of the legislation. As the institute noted, "there have been and currently are powerful forces at work in the marketplace that are shrinking the availability of retiree health benefits regardless of policy changes in Medicare."

"The vast majority of today's retirees and the vast majority of tomorrow's retirees are dependent on Medicare and anything else they can afford to pay for" to provide drug coverage, said Dallas L. Salisbury, an analyst at the institute.

Even fewer male retirees would have had health insurance from an employer if more women had not entered the work force, providing their husbands with coverages, Mr. Stuart said. But many employers are no longer paying for spousal benefits, he said, so such coverage will probably be available only at a high cost to future retirees.

The study also showed that while retirees were able to obtain drug coverage from other sources, like private health plans offering Medicare coverage, fewer individuals are buying policies that offer supplemental coverage. Retirees are probably not going to turn to such policies in the future because of the rising cost, Mr. Stuart said.

Private health plans have also dropped out of the Medicare program in recent years, and there are fewer beneficiaries enrolled in these plans.

"In short, we can expect that greater numbers of new retirees will face the prospect of having no viable source of outpatient prescription drug coverage," the study's authors concluded.

The challenge before Congress is to come up with legislation that does not lead to more companies dropping coverage, Mr. Stuart said. In particular, he pointed to the Senate bill as making it difficult for employers to offer coverage that can be easily combined with the proposed drug benefit.

The Congressional Budget Office, for example, which provided earlier estimates that suggest a more drastic effect on retirees, calculates that the Senate bill will result in more companies dropping coverage than the House version.

Report Challenges Medicare Reform Bills (WPost)

Budget Office Says Changes Will Lead to Fewer Patients in Private Plans, Not More

By Amy Goldstein

The Washington Post, July 23, 2003

Landmark Medicare legislation is unlikely to prompt older Americans to sign up for private health plans, a central goal of bills passed last month to transform the nation's insurance program for the elderly, the Congressional Budget Office told lawmakers yesterday.

The analysis by the nonpartisan budget office says that, despite efforts in both the House and Senate bills to create popular private-sector alternatives to the traditional Medicare program, the proportion of elderly patients in such health plans would be lower in a decade than it is today.

That conclusion is accompanied by a forecast that each bill would cost more than the \$400 billion limit agreed to by lawmakers and the White House for spending to redesign Medicare. According to the analysis, the Senate measure would cost \$461 billion in direct spending over the next decade, and the House version would cost \$408 billion.

The CBO's findings -- relayed in oral briefings on Capitol Hill yesterday and issued in a 60-page report last night -- represent the budget office's first comprehensive critique of the legislation adopted a month ago by Congress on an issue that President Bush has defined as his top remaining domestic objective this year. Taken together, the enrollment predictions and cost estimates cast doubt on how well the legislation would achieve its basic purposes: adding to Medicare drug coverage that the nation could afford, and nudging people in the program into preferred-provider networks, HMOs or other forms of private health plans.

The report comes as the drive to redesign Medicare -- something Congress has tried and failed to do for years -- has reached a delicate phase. After the House and Senate passed their plans, congressional negotiators began last week to search for compromises on the considerable differences between them. Many of those differences revolve around how far the government should go to tilt the 1960s-era system from a federal entitlement to a program built on market competition.

Yesterday, leaders of the conference committee vowed to produce an agreement that abides by the \$400 billion ceiling.

Conferees did not comment on a conclusion in the CBO estimate that one provision of the Senate bill would cost \$40 billion. That provision would require companies that manage pharmacy benefits for Medicare to disclose to federal agencies the discounts they negotiate with drug manufacturers. The companies are lobbying against it because, they say, it will limit their leverage in negotiations, but proponents say it would encourage the companies to pass cost savings on to consumers.

Yesterday, Health and Human Services Secretary Tommy G. Thompson, briefing reporters on Medicare, said the administration is "cautiously optimistic" that the House and Senate will resolve their differences. Thompson said Bush, who is to meet with the congressional negotiators this afternoon, would seek to place pressure on them to complete the work but would refrain from setting a deadline.

In the debate prior to last month's House and Senate votes, the CBO had privately told congressional staff members that it was far more pessimistic than administration officials about the allure of private health plans to older patients.

Specifically, the analysis estimates that 11 percent of the patients in Medicare probably would sign up for some kind of private health plan if the House bill were to become law. That bill would put a heavy emphasis on private-sector competition. It would pay HMOs more than the Senate version to encourage them to accept Medicare patients, and starting in 2010, would require the original fee-for-service version of the program to begin competing for patients based on price, a provision that some Democrats contend would undermine the program's traditional form.

The CBO estimates that 9 percent of Medicare patients would sign up for a private plan under the Senate bill.

In either case, the enrollment would be lower than it is today. According to Medicare statistics, 12 percent of Medicare patients obtain care through HMOs, and an additional 1 percent belong to various other private health plans.

In contrast with the CBO's predictions, a memo from the Medicare program's chief actuary dated June 26 -- the day that both chambers voted -- estimated that "roughly 43 percent" of Medicare patients would belong to some kind of private health plan by 2010.

"I've never seen such a big difference in judgment," Thomas A. Scully, administrator of the Centers for Medicare and Medicaid Services, said yesterday. Scully said the difference stemmed from a disagreement over whether private health plans would prove less expensive to run than the traditional version of Medicare, and thus able to offer patients lower premiums.

Low enrollment in private health plans would not automatically affect patients' ability to obtain drug coverage.

Under both bills, Medicare patients could receive such coverage either through a private plan or by buying a new kind of insurance policy that covered only drugs.

Paradoxically, the CBO's forecast, while disagreeing with the administration's, lends support to a central aspect of a blueprint for revising Medicare that Bush proposed last winter. The White House wanted to try to draw patients into private health

plans by offering relatively generous drug coverage only to patients willing to join them -- but essentially discarded that idea after congressional Republicans balked, insisting that long-promised drug benefits should be available to everyone in Medicare.

http://story.news.yahoo.com/news?tmpl=story&cid=534&ncid=534&e=4&u=/ap/20030722/ap_on_go_co/medicare_congress

Medicare Bills Exceed Bush Spending Limit (AP)

By David Espo

The Associated Press, July 22, 2003

WASHINGTON - The rival Medicare prescription drug bills that cleared the two houses of Congress last month both exceeded President Bush (news - web sites)'s spending limits, officials said Tuesday in disclosures likely to complicate efforts to reach a compromise.

The Congressional Budget Office (news - web sites) tentatively calculated the Senate-passed measure at \$462 billion over 10 years, including \$40 billion for one provision that aides said is now likely to be jettisoned. The cost of the House-passed bill was pegged at \$408 billion.

Bush has placed a \$400 billion, 10-year limit on legislation to add prescription drug benefits and modernize the 38-year-old health care program for seniors.

Key House Republican committee chairmen who disclosed the new estimates pledged that any compromise would be within the limit set by the White House. "We remain committed to strengthening and improving Medicare," said Reps. Bill Thomas, R-Calif., and W.J. Tauzin, R-La.

Sen. Charles Grassley (news, bio, voting record), R-Iowa, the lead Senate negotiator, agreed. He also said he hoped Bush would set a firm date for wrapping up compromise talks.

The new cost estimates came as negotiators for the two houses reported progress toward agreement on a technical, relatively uncontroversial section of the legislation dealing with Medicare contracting, patient appeals and other regulatory matters. Senior lawmakers hope to be able to announce a tentative agreement on that portion of the legislation within a day or two, as part of an effort to demonstrate tangible progress before Congress begins a long summer vacation.

Additionally, Bush has invited key lawmakers to the White House for a meeting on Wednesday to underscore his determination to sign Medicare legislation this year.

Both houses approved legislation earlier this year to add a prescription drug benefit to the program and, at the same time, to provide for greater competition. Private companies would be invited to set up health care plans to compete with traditional Medicare, part of an effort the administration and Republicans say is essential to give seniors better choices as well as improve the financial condition of the program.

The two bills vary greatly in their details, and the way to a final compromise is compounded by political differences that have produced gridlock for several years.

Tommy Thompson, secretary of the Department of Health and Human Services (news - web sites), told reporters he was optimistic about a final compromise this year, although he cautioned, "there's nothing definite" in lawmaking.

On one area of the bill, he said he hoped key lawmakers would be able to give the administration advice in several weeks on the likely details of a plan to make prescription drug cards available to seniors. Both bills would allow seniors to purchase the cards in 2004, enabling them to buy drugs at a discount.

Both bills would provide federal subsidies to low-income seniors through the card, meaning that Thompson's agency would need access to personal income data to know who qualified. "We've started working with (the) Social Security (news - web sites) (Administration) and Treasury," in anticipation of passage of legislation, he said. "We need that information quickly."

In the House, both parties are already maneuvering for political advantage on the issue. Democratic lawmakers held an estimated 75 town hall meetings in their districts last weekend, designed to point out flaws in the Republican-passed measure and tout a costlier alternative with a richer drug benefit.

House Majority Leader Tom DeLay, R-Texas, told reporters during the day that Republicans would be holding 80 town hall meetings of their own during Congress' August vacation, aimed at building support for the GOP measure.

The new spending estimates will form the basis for the final negotiations between the House and Senate. They mean that spending will have to be reduced to bring any final bill under Bush's budget limits or offsetting savings will have to be found.

Officials said one provision in the Senate-passed measure alone accounted for \$40 billion over 10 years in the CBO calculation. It would require pharmacy benefit managers, the companies that administer drug coverage programs and negotiate for discount

Report: Boxing Rules Too Inconsistent (AP)

By Siobhan McDonough

The Associated Press, July 22, 2003

WASHINGTON - Inconsistent regulation of boxing has led to permanent and sometimes fatal injuries, economic exploitation of boxers and corruption, congressional investigators said Tuesday.

The General Accounting Office (news - web sites) report found professional boxing is regulated predominantly on a state-by-state basis, which often results in varying degrees of oversight.

The lack of consistency among state commissions does not adequately assure professional boxers even minimum protections established in federal law, said the GAO, the investigative arm of Congress.

Last week, in Cedar City, Utah, a 35-year-old boxer collapsed in the ring and died. The victim had previously been defeated 25 consecutive times over a 3-year period, but the local boxing commission allowed him to enter the ring.

The GAO's conclusions and the latest tragedy are further evidence of the need for uniform minimum standards for boxing, said Sen. John McCain, R-Ariz., chairman of the Commerce, Science and Transportation Committee.

McCain has proposed a bill that would create a federal regulatory agency to set standards for the boxing industry. The Senate Commerce Committee approved the bill in March, and it is awaiting full Senate consideration.

Boxing is the only major professional sport in the country without a central regulatory authority. There is no other major professional sport in which the rules and regulations vary so widely, the report said.

The Association of Boxing Commissions, a nonprofit organization representing 46 state and 8 tribal boxing commissions, promotes health and safety provisions but has no enforcement authority over its members, the GAO said.

The 1996 Professional Boxing Safety Act established minimum health and safety standards for professional boxing and provided for limited federal oversight by the Justice Department (news - web sites) and Federal Trade Commission. The Muhammad Ali Boxing Reform Act of 2000 amended the 1996 act to better protect boxers and the integrity of the sport.

Still, the GAO said, "Although the sport has generated enormous wealth for others, many professional boxers have been left penniless."

The GAO recommended:

- _Requiring pension plans for boxers.
- _Full disclosure of purses and payments.
- _Minimum uniform contractual terms between boxers and promoters.
- _Prohibiting conflicts of interest.
- _Requiring registration and training for judges, referees and others.
- _Preventing sanctioning organizations from exercising influence in the selection of judges.
- _Establishing uniform boxing and scoring rules.

Push Stalls For Low-Income Tax Fix (WSJournal)

Democrats' Child Credit Slips Off Bush's Radar as Congress Wrangles

By SHAILAGH MURRAY and GREG HITT

The Wall Street Journal, July 23, 2003

WASHINGTON -- A Democratic-led effort to spread tax benefits further down the income ladder is fading. And that's just fine with many Republicans.

The issue has been a thorn in Republicans' side since Congress passed a \$350 billion tax bill in late May. The legislation increased the child tax credit by as much as \$400 a child, but not for certain low-income families, who don't pay taxes and instead were to receive a subsidy check from the Treasury. Democrats had sought to include the \$3.5 billion benefit, but Republicans rejected it in favor of breaks for investors and middle- and upper-income taxpayers.

Democrats seized on the omission as a billboard for Republicans' elitist fiscal policies. Republicans promised to correct the slight -- after some goading from President Bush, who lectured Congress to add the low-income benefit.

On June 9, for example, a Bush spokesman strongly endorsed the Senate bill and prodded House Republicans to act quickly. "His advice to House Republicans is to pass it, to send it to him so he can sign it," said then-press secretary Ari Fleischer. He echoed a similar theme eight days later: "The president's message to the Congress is unequivocal. The president wants to sign the child credit into law."

But House and Senate negotiators never met on the compromise, underscoring how quickly momentum can ebb in Washington. In the weeks since the child-credit fight broke out, Congress has been distracted by the Medicare debate, new fighting in Iraq and the storm of controversy over the White House's use of now-discredited intelligence on Iraq's alleged pursuit of uranium in Africa.

Mr. Bush's new press secretary, Scott McClellan, said Tuesday that the president favors the child-credit expansion, and said White House officials are working "publicly and privately" to move the initiative along. "That remains a priority," Mr. McClellan said.

The urgency hasn't been conveyed to Senate Finance Chairman Charles Grassley (R., Iowa), who said it has been awhile since he has heard from the White House on the child-credit issue -- though his staff has been in touch with the White House on the matter. In a letter to House leaders, the Iowa Republican made a final stab Tuesday at trying to resolve the issue before Congress leaves for its August recess. Sen. Grassley proposed beefing up the Senate bill with some House provisions, including extending the increase in the child credit through 2007.

The Senate approved adding the low-income benefit on June 5; the House followed a week later with a much bigger package that expanded the child tax credit for lower- as well as upper-income families. An ideological war ensued. Democrats accused Republicans of being heartless, while Republicans grumbled that the Internal Revenue Service isn't a welfare office, and that tax cuts ought to go to taxpayers.

Rhetoric aside, the big issue the two sides are stuck on -- seemingly intractably -- is how to pay for the benefit. Democrats want to neutralize the cost with tax or fee increases; Republicans, especially in the House, are opposed to such offsets.

News that the government is running a record budget deficit "enhances the validity of the offset position," said Sen. Olympia Snowe (R., Maine), an ally of the Democrats on the child-credit issue. Sen. Blanche Lincoln (D., Ark.) said that as much as she wants the additional benefit, "this is not an excuse to increase the debt on our children."

Sens. Lincoln and Snowe, the two Senate ringleaders, vow to keep up the pressure in their chamber. In the House, Democrats are threatening to disrupt floor action if the matter doesn't come to a vote before Friday, when the House recess is scheduled to begin.

House Republicans said they are willing to compromise, but they haven't blinked yet, either. House Majority Leader Tom DeLay called Mr. Grassley's offer "very interesting." But House Republicans are no warmer to offsets, and they continue to insist that the benefit be expanded for upper-income families, too.

"Nothing's going to get done if we don't sit down and talk," said Mr. Grassley.

Compromise To Expand Child Tax Credit Pursued (WPost)

The Washington Post, July 23, 2003

Senate Republicans working to expand the child tax credit for more low-income families tried to spur talks with the House yesterday with a first offer for compromise.

"I think we ought to get it done this week," said Sen. Don Nickles (Okla.), one of the Republicans appointed to negotiate a compromise.

In a letter to House Majority Leader Tom DeLay (R-Tex.) and Ways and Means Committee Chairman Bill Thomas (R-Calif.) the Senate Republicans said they could accept some parts of the House bill, including bigger tax credits for wealthier married couples and tax breaks for military personnel.

The senators did not insist that the product match the Senate's bill by raising enough revenue to pay for the entire tax cut. They did ask negotiators to discuss offsetting part of the cost.

DeLay said he did not think House Republicans will support a child tax credit bill that does not extend the benefit through the decade.

The White House said that expanding the child tax credit remains a priority, and that it is urging Congress "publicly and privately" to act.

Deal Offered On Child Tax Credit (NYTimes)

By DAVID FIRESTONE

The New York Times, July 23, 2003

WASHINGTON, July 22 - Senate Republicans offered a compromise to the House today intended to end the stalemate blocking an expansion of the child tax credit to low-income families, but Democrats said the proposal's benefits for wealthier families were too expensive to pass.

The offer came with an increase in political activity just four days before the government will begin mailing \$400-per-child checks to 25 million middle-income families eligible to receive the tax credit. On Thursday, President Bush is scheduled to visit a federal office in Philadelphia that is printing the checks, using the opportunity to remind voters that the checks are to stimulate the economy.

Democrats plan a series of protests on and off the floors of Congress this week to demonstrate their anger that 6.5 million low-income families were left out of the economic stimulus package and will not be receiving the checks. Representative Nancy Pelosi of California, the Democratic leader, said members of her party would make this "the week from hell" for Republicans. On Wednesday, as part of one protest, 700 children are scheduled to descend on the Capitol to make a similar point.

Today's compromise proposal, made by the three Republican senators who are negotiating with the House on the credits, would give the \$400-per-child credits to the 6.5 million minimum-wage families, a provision that would cost \$3.5 billion. But the plan would also spend \$20 billion to give increased credits to 25 million middle- and upper-income families from 2005 to 2007. The increase, to \$1,000 from \$600, is now scheduled to expire in 2005.

The proposal would also increase the tax credit through 2007 for millions of families making more than \$110,000, a measure that would cost about \$10 billion to \$12 billion, Republican tax officials said. The full child credit is currently not available to most families at that income level.

The overall proposal would cost about \$50 billion during the next 10 years, which is much more expensive than the \$10 billion bill passed overwhelmingly by the Senate seven weeks ago. But House Republicans, who object to giving the credit to low-income families who do not pay federal income tax, have insisted on a much broader package of tax cuts for middle- and upper-income families that would cost \$82 billion.

Although today's proposal moves much closer to the House bill, its size is likely to raise serious problems for many Democrats and moderate Republicans in the Senate. Most senators have said they want any tax credit package to be paid for with increases in fees so it does not raise the federal deficit, already at record levels. The costs of today's proposal would be only partly offset by fees, and thus may not be able to summon a majority in the Senate.

Senator Charles E. Grassley, Republican of Iowa and the principal author of the plan, acknowledged that a majority of the Senate did not want the package to add to the deficit, but he said it was necessary to put an offer on the table to get the stalled talks moving.

"Nothing will get done if we don't sit down and talk," Mr. Grassley, chairman of the Finance Committee, said. "At least it's less expensive than what the House passed."

He added that he hoped to get the issue settled by the end of the week, when the House leaves for its August recess.

That seemed unlikely, though, after Senate Democrats and House Republicans alike expressed disagreement with the plan.

"This is not an excuse to increase the debt on our children," said Senator Blanche Lincoln, Democrat of Arkansas and the chief proponent of the expanded credits. "It's an opportunity to provide something fair and equitable to the 12 million children who belong to working families in this country."

Although President Bush has said he wants the House and Senate to reach agreement on providing the credits to low-income families, the White House has not yet moved to broker a compromise, despite weeks of political criticism from religious groups, Democrats and advocates for children. Almost every day for the last two weeks, House Democrats have introduced a measure that would prod the conference committee to accept the original Senate bill, but Republicans have defeated each resolution.

Democrats have said that House Republicans know full well that the Senate will not pass another tax package this year that adds to the deficit, and they have accused Republicans of throwing in the other tax breaks as a kind of poison pill to prevent the entire package from being passed. House leaders say that if the Democrats want to give credits to people who do not pay income taxes, they must also be willing to cut taxes further for those who do.

GOP Leaders, Conservatives Split On Balanced-Budget Amendment (The Hill)

By Alexander Bolton

The Hill, July 22, 2003

A soaring federal budget deficit has prompted a group of 50 conservative House Republicans to revive the fight for a balanced-budget amendment to the Constitution, but to their surprise they have run into resistance from their party leadership.

A nearly identical proposal for an amendment to require a balanced budget was a central component of the Contract With America, the document that provided the ideological foundation of the 1994 revolution, which swept Republicans into power in the House after 40 years in the minority. But after eight and a half years in power, a period in which the budget surplus climbed to \$236 billion and then plummeted, resulting in today's \$455 billion projected deficit, GOP leaders have no appetite for bringing the amendment to the floor.

Instead, fiscally concerned conservatives are finding allies across the aisle. In recent weeks, centrist Democrats have launched a discharge petition to force Republican House leaders to bring the amendment up for a vote.

"The challenge is to get it to the floor," said Rep. Ernest Istook, Jr. (R-Okla.). "The leadership still requires some persuasion."

He is the sponsor of the bill, H.J. Res. 22, and a founder of the Republican Study Committee, a group of about 85 House conservatives.

He said that a vote on the constitutional amendment is critical for determining who are the real fiscal conservatives in Congress.

"Some people are masquerading as fiscal conservatives," Istook said of colleagues who criticize government spending yet vote for expensive legislation, such as the Medicare prescription drug bill or last year's farm bill. "If there are people trying to have it both ways, they need to be smoked out."

A number of conservatives view passing a balanced-budget amendment as one of their highest priorities.

"I'm aggressively doing everything I can to get it to the floor for a vote," said Rep. John Culberson (R-Texas). "I think it's the single most important piece of legislation in light of our \$7 trillion debt."

The proposed amendment would place strict curbs on deficit spending by making it unconstitutional for the federal government to spend more than it collected in revenues unless Congress, by a three-fifths vote of each chamber, authorized it.

House Majority Leader Tom DeLay (R-Texas) denied the assertion by several conservatives that the leadership has resisted scheduling a vote on a balanced budget amendment.

"I schedule the votes and there's no resistance that I know of," said DeLay.

When asked if he would schedule a vote on an amendment, DeLay said: "If I could pass it, definitely."

However, DeLay acknowledged that amending the Constitution is a drastic measure: "I always have an aversion to amending the constitution, but if that's the only way we could put into place a balanced-budget amendment, that's what we're going to do."

"It's a useful exercise to put people on record for a balanced budget, but it ain't going to pass," he said.

But supporters of such an amendment counter that it would pass overwhelmingly, and note that the proposal has 113 cosponsors, including a large bloc of Democrats, and received more than 300 votes when it last came to the floor, in 1995.

Ed Lorenzen, legislative director for Rep. Charlie Stenholm (Texas), the preeminent Democratic budget hawk in the House and a co-sponsor of Istook's bill, said Republican leaders have not provided the support for the constitutional amendment they promised earlier this year.

Lorenzen said that when Istook approached his boss about co-sponsoring the measure earlier this year, he said he had a commitment from GOP leaders that they would hold a floor vote by July 4. That has yet to happen.

"As partisan control of Congress changes and perceptions of who's to blame for the deficit changes, there's naturally some reluctance to bring up a balanced-budget amendment like this," said Pete Sepp, spokesman for the National Taxpayers Union, which has been heavily involved in the issue.

Shortly before the Independence Day recess, Democrats launched a discharge petition to force the issue.

So far, 17 conservative Democrats have signed it.

One GOP leadership aide speculated that Republican leaders probably supported a balanced budget amendment in theory but that it would make little political sense to schedule a vote on the issue when the federal government is projected to run up a deficit substantially higher than the previous record, \$290 billion, from 1992.

Doing so might open the party to charges of hypocrisy.

Sensing the opportunity for political gain, more and more Democrats are beginning to latch onto the idea of passing a balanced budget amendment.

A poll conducted earlier this year by the polling firm Fabrizio, McLaughlin and Associates for the National Taxpayers Union found that nearly 7 out of 10 registered Democrats supported the idea.

But a number of House Republicans are concerned enough about the surging deficit to support a measure even if Democrats would use it as political fodder.

"I don't like deficits, and what has happened around here has gotten a little out of control," said Rep. Vern Ehlers (R-Mich.).

Needed: A Deficit Lecture, Perot-Style (WPost)

By David S. Broder

The Washington Post, July 23, 2003

Where is Ross Perot now that we need him?

That was the thought that crossed my mind when the Bush administration announced last week that the budget deficit for the current year would hit a record \$455 billion and grow next year to \$475 billion.

Josh Bolten, the new budget director, pronounced the deficits "manageable," but almost everyone who is not directly engaged in defending them found the long-term implications of the massive borrowing scary as hell. The Concord Coalition, a bipartisan budgetary watchdog group, gave Congress and the administration an "F" on fiscal policy, saying it was characterized by "deficits, deception and denial."

"More alarming than the growing short-term deficit," its report said, "is policy-makers' growing willingness to justify deficits of this size as 'moderate and manageable.'"

Carol Cox Wait, the Republican president of the bipartisan Committee for a Responsible Federal Budget since it was founded in 1981 to battle "the specter of historically large, seemingly endless, structural budget deficits," chose last week to announce her resignation, explaining, "I have been there and done that."

And the liberal Center on Budget and Policy Priorities (CBPP) said that even if the economy recovers in the next year, as the administration assumes, annual budget deficits will not come down below \$300 billion -- and then balloon after 2008 when the baby-boom retirees begin draining Medicare and Social Security.

With lots of data, all these groups argue, as CBPP puts it, "The current fiscal policy path is neither manageable nor sustainable."

That was true of the deficits that built up under Ronald Reagan and the first George Bush -- but then, as now, the figures were so enormous and the discipline so lacking at either end of Pennsylvania Avenue that the public threw up its hands in exasperation.

Until Ross Perot, the eccentric Texas businessman, turned his quixotic 1992 presidential campaign into a TV seminar on the fatal consequences of runaway deficits. By buying half-hour chunks of prime time, and using simple charts to illustrate his folksy translations of economic jargon, he brought home to people the fundamental indecency of saddling the next generation of Americans with staggering debt because of our unwillingness to pay our bills.

Bill Clinton, who had started his campaign that year by promising a middle-class tax cut, caught the shift in public opinion and launched his presidency with a call for tighter fiscal policy -- including a top-bracket tax increase. Republicans, who for 12 years had enthusiastically cheered the fatal combination of tax cuts and big defense and domestic spending increases, also came to their senses. When they took over Congress in 1994, their freshmen invited Perot to an early caucus, and they launched a drive for balanced budgets that Clinton had no choice but to join.

And for a few brief years at the end of the 1990s, we enjoyed a "virtuous cycle" of budget surpluses that reduced the national debt and the government's annual interest payments. But now both are spinning out of control again.

So we need another Perot -- not as an independent presidential candidate but as an explainer with enough financial backing to commandeer TV time and enough political smarts to put it in ways that all of us can understand.

I can think of a couple people right away who fit the bill, and maybe they could combine their talents. One is Warren Rudman, the independent-minded former senator from New Hampshire, a Republican who wrestled with budget issues on Capitol Hill in the 1980s and now is co-chairman of the Concord Coalition.

The other is Leon Panetta, the equally independent-minded California Democrat who, as chairman of the House Budget Committee, Clinton administration budget director and later White House chief of staff, had hands-on experience in bringing down the deficits.

I haven't broached this notion to either man, and both of them are plenty busy with other projects. But I have to believe that if super-investor Warren Buffett, Microsoft honcho Bill Gates, Sandy Weill, the retiring CEO of Citigroup, Bob Rubin, the former treasury secretary and Wall Street powerhouse, and others like them -- including Perot -- raised the money for such a media campaign, Rudman and Panetta would seize the opportunity.

They know that this is not a matter of partisanship but a problem that can cripple the future for our children and grandchildren and compromise this country's ability to play its role in the world.

The way to change the government's policy, as Perot demonstrated, is to inform the people -- and let them tell their leaders what must be done.

We're at that point again.

Butting Heads With The Pentagon (NYTimes)

By LESLIE WAYNE

The New York Times, July 23, 2003

There is no better friend of the Pentagon than Duncan Hunter, chairman of the House Armed Services Committee. A conservative and a hawk on defense, Mr. Hunter has long been someone the military could count on to push its dream projects through Congress.

So there is considerable dismay, and some outright consternation, over sweeping "buy America" provisions that Mr. Hunter inserted into the House version of legislation authorizing the coming year's Pentagon budget. Countries that failed to help the United States in the Iraq war, he argues, should not enjoy the spoils of American military contracts or put the Pentagon in a position of depending on them for critical components.

That view has set Mr. Hunter on a collision course with his many friends at the Pentagon and among American military contractors that buy everything from microprocessors to jet engines and airplane wings overseas. Mr. Hunter's proposal would

cut back sharply on the foreign content allowed in American military goods as well as provide a laundry list of items - from fuses to machine tools to airplane tires - that only American companies could supply.

Opposition to Mr. Hunter's proposal is so fierce that the defense secretary, Donald H. Rumsfeld, has said he will recommend that President Bush veto the entire \$400 billion 2004 Pentagon budget if Mr. Hunter does not back down. According to a White House statement, Mr. Hunter's proposals are "burdensome, counterproductive and have the potential to degrade U.S. military capabilities."

Such harsh words hardly faze Mr. Hunter, a 12-term California Republican and former Army Ranger, who is joined by other conservative House members and a number of small companies and unions that might benefit. At the moment, for all the power - and fury - of his opponents, Washington analysts say Mr. Hunter will most likely get some of what he wants.

"If the American worker is going to pay for the defense of the free world," Mr. Hunter said in an interview, "he should participate fully in the manufacture of military goods. This is a warning shot, a red flag. We need to have domestic sources for critical military components. No one argues with that. We just differ in the details."

This Washington tale is rich in ironies. An administration that has been criticized for a go-it-alone attitude toward foreign affairs is now promoting more global military trade and claiming, in the White House statement, that Mr. Hunter's efforts would "undermine our efforts to promote cooperation with our allies."

Meanwhile, the military contractors who have lavishly contributed to Mr. Hunter's political campaigns over the years are now finding that they have helped elect someone who is working against their interests - and their ability to buy from cheaper foreign suppliers. Moreover, the White House risks alienating an important constituency by opposing a prominent conservative, especially over an issue freighted with patriotism.

Foreign governments have weighed in as well, especially the British, whose contractors would be lumped in with the rest of the world, despite Britain's stalwart participation in the Iraq war. In a letter to Mr. Rumsfeld, the British defense secretary, Geoff Hoon, called the proposal "potentially very damaging" and said it "would seriously undermine our ability to work together." The Dutch government called it a "great leap backward," while the NATO secretary general, Lord Robertson, said it would threaten "political unity."

Yet for all the concern from Britain specifically, Michael Harrison, a spokesman for Mr. Hunter, said "buy America" would help, not hurt, because a stronger United States military meant America would be a better ally to Britain.

As a practical matter, such cross-border programs as the Joint Strike Fighter, a \$200 billion joint venture by the United States and Britain to build a new fighter jet and sell it globally, would be jeopardized. Other programs would be equally hard to unscramble - for instance, the Army's new light armored vehicle, the Stryker, designed in Switzerland and being assembled in Canada for an American company. The F-16 fighter jet, made by Lockheed Martin almost exclusively for export, draws parts from dozens of countries.

On Capitol Hill, taking on Mr. Hunter is a delicate matter, especially for military contractors. Besides his pro-military credentials, the committee of which he is chairman controls the Pentagon purse strings and wields enormous power over how billions in military contracts are awarded.

"It's hard to oppose someone you like. That's made it difficult for everyone," said John W. Douglass, chief executive of the Aerospace Industries Association, which represents big contractors. "It's so awkward. We're so torn."

The military industry instead is taking its case to John W. Warner, the Virginia Republican who is chairman of the Senate Armed Services Committee. Some 25 top executives of military contractors - among them Boeing, Lockheed and Raytheon - met with Senator Warner last week to lobby in what they felt was a more sympathetic forum.

The version of the Pentagon budget that the Senate passed last Thursday does not include buy-American provisions - in fact, it has language making it easier for American military contractors to buy from six allies: Britain, Australia, Spain, the Netherlands, Sweden and Norway.

In a statement, Senator Warner said that while the Senate bill recognized that the "overwhelming bulk" of the Pentagon budget would be spent on American-made products, "our forces need the flexibility to procure the best of existing technology and avail themselves of the strength of the global market." The measures are now before a House-Senate conference committee whose members include Mr. Hunter and Mr. Warner.

With little fanfare and no public hearings, the buy-America proposals were inserted into the House version of the Pentagon budget in May.

Besides requiring that some military goods be made only in America, the provisions that Mr. Hunter is championing would raise domestic content requirements for Pentagon purchases to 65 percent from 50 percent - a substantial increase on multibillion-dollar contracts. It would also become more difficult to purchase certain specialty metals - mainly titanium - from foreign suppliers, particularly Russia.

Not everyone opposes Mr. Hunter. The steel industry and the steelworkers union, the machine tool industry, apparel and footwear manufacturers, some electronics makers and American shipbuilders have voiced support. So has the 20-member House defense industrial base caucus, which advocates for small manufacturers.

"I'm really glad to see this attempt by the House Armed Services Committee coming to light," said Timothy G. Rupert, chief executive of RTI International Metals, an Ohio company and one of three domestic titanium suppliers.

In a letter being circulated in Congress, Leo W. Gerard, president of the United Steelworkers of America, says, "American steelworkers are also American taxpayers and they do not want their tax dollars going to subsidize the export of their jobs!"

The opponents are equally fervent. "This is incredibly ill conceived," said Loren Thompson, an analyst at the Lexington Institute, a conservative research firm in northern Virginia. "The cost of weapons would go up astronomically. No one has a rigorous estimate of what the buy-America provisions could cost taxpayers. But it certainly would be in the many billions of dollars."

The Pentagon is pulling out all the stops. An internal Pentagon analysis said Mr. Hunter's proposal would have "catastrophic effects."

The machine tool provisions alone - replacing foreign with American tooling - would cost \$7 billion to \$10 billion in the next five years or so, the analysis estimated. Some military production lines would have to be shut down, it said, costing 46,000 jobs until domestic machine tool capacity increased. At one Raytheon plant in Texas, for instance, 95 percent of the machine tools used to assemble missiles are foreign made.

Foreign-content reductions would "jeopardize dozens of programs," according to the Pentagon. For instance, British engines and propellers are used in the C-130J transport.

"The reason we are taking this seriously is because the unintended consequences of this legislation are so egregious," said Suzanne D. Patrick, deputy under secretary of defense for industrial policy. "Our biggest concern is that the defense industrial base be able to supply quality equipment to our war fighters currently and in the future.

"We're not careening out of control in giving big dollops of defense business to foreign countries," she added. "We do it when there is superior quality, a better price and better delivery terms."

Often, only foreign suppliers produce specialized electronic equipment critical to the military. "It could be a hand-held sensor that is very important," she said, "and the only maker is Japanese or Taiwanese."

Credit Card Industry Steps Up Lobbying (Roll Call)

By Sarah Bouchard

Roll Call, July 23, 2003

The nation's credit card industry is bankrolling a massive lobbying campaign on Capitol Hill to ensure banks, retailers and credit card companies continue to be governed by a single set of national regulations.

Relying on a new lobbying coalition, a set of pricey lobbyists and an innovative tactic, the credit industry hopes to renew a law that lets it avoid the hassle of 50 separate sets of state-imposed regulations on the industry.

The law, added to the Fair Credit Reporting Act in 1996, will sunset at the end of the year.

If it expires, banks, credit bureaus, retailers and other financial service organizations would suffer 'very serious' consequences because state regulators would replace the federal government in overseeing credit information sharing, said Ken Clayton, of the American Bankers Association, the nation's largest banking trade organization.

The Senate Banking, Housing and Urban Affairs Committee plans to hold the final two of six hearings on the issue next week before introducing a bill after the August recess. The House Financial Services Committee plans to mark up the legislation today.

The measure is 'job No. 1 of the committee," said Scott Duncan, a spokesman for the House panel.

Meanwhile, the credit industry has been aggressively urging Congress to reauthorize federal control of industry regulations.

Citigroup, TransUnion and Capitol One have spent thousands of dollars flying key Congressional aides to a handful of conferences around the country to bring them up to speed on the issue.

More than 10 staff members attended each conference, according to disclosure forms filed with Congress, most of which were aides working for lawmakers on the Financial Services and Banking committees.

'It's a critical issue for our company and our industry," said TransUnion spokesman Jeffrey Junkas. About 20 staffers attended TransUnion's late-February symposium in Crum Lynne, Pa., costing the company about \$650 a person, according to disclosure forms.

After introductory speeches and a tour of the facility, the staffers were treated to three panels: 'Impact of FCRA Preemption Loss on Risk Assessment," 'Impact of FCRA Preemption Loss on Consumer Credit" and 'Impact of FCRA Preemption Loss on new applications of consumer report information," according to a symposium agenda.

Citigroup spent about \$1,500 a pop to send Hill staffers to its conference, which took place at the end of January in The Lakes, Nev. The three-day tour included sessions ranging from an 'Overview of Citi Cards and Role of Card Industry in Economy" to the 'Importance of the Fair Credit Reporting Act."

Perhaps the most posh of the three was a conference sponsored by Capital One in early March at the Don CeSar Beach Resort and Spa in St. Pete Beach, Fla.

Panelists included Lisa McGreevy of the Financial Services Roundtable, Floyd Stoner of the American Bankers Association and a group of Capital One executives.

Aside from the travel, the credit industry has pumped thousands of dollars into Members' re-election accounts and signed up a team of new lobbyists.

TransUnion, for example, hired Sidley Austin Brown and Wood to pick up 'some additional feet on the street," according to Junkas.

The industry also formed a lobbying alliance, the Partnership to Protect Consumer Credit, which has recruited its own team of well-connected lobbyists. The partnership signed up Ed Gillespie, who has since stopped lobbying to prepare for becoming Republican National Committee chairman. The account will be taken over by other lobbyists from his firm, Quinn, Gillespie and Associates.

Two other lobbying shops - Williams and Jensen and Griffin, Johnson, Madigan, Peck, Boland, Dover & Stewart - are also on the organization's payroll.

Partnership members include retailers, small businesses, mortgage lenders, investment and banking firms, and credit card companies, such as the U.S. Chamber of Commerce, Capital One, Citigroup, JP Morgan Chase and MasterCard.

Meanwhile, the Financial Services Roundtable, a national association that represents the nation's largest financial services companies, has been a vocal supporter of extending the national standards.

At a press conference last week, the Roundtable released a report from the Perryman Group, a Texas-based consulting firm, that says the gross domestic product could drop by 2 percent if the states' pre-emption sunsets.

Rep. Spencer Bachus (R-Ala.), the author of the House bill that will be marked up today, compared the national credit system to the national interstate system.

'Just like we don't want to put traffic lights on our interstate [highway] system," Bachus said, 'we want to do the same for credit."

But some organizations and lawmakers do not agree, and a handful of groups are fighting just as vehemently to allow states to adopt their own standards for sharing credit information.

Stephen Brobeck, executive director of the Consumer Federation of America, said his organization's 'most important effort is to try to convince Members to support strong consumer protections."

He added that although the act includes 'important new consumer protections,' the CFA does not believe they are sufficient to permanently thwart state regulations.

Brobeck described a 'coalition effort' by his organization and members to lobby Congress to add additional consumer protections and not permanently grant control of credit information to the federal government.

Chris Hoofnagle of the Electronic Privacy Information Center said that although his organization does not lobby, there are many avenues to prevent this legislation from passing.

He noted that there are not many legislative days left this year, and the few that remain could easily become occupied with another issue.

Hoofnagle added that 'the Senate clearly is not going to move that quickly.'

If Congress does not pass the reauthorization included in the Bachus bill, Hoofnagle said, the pre-emption will end 'and the states will experiment.'

Hoofnagle said the current pre-emption handcuffs state legislatures and concentrates power in Washington.

'There needs to be structural changes,' Hoofnagle argued, and states have historically served as successful testing grounds.

Opponents also claim the Bachus bill does not fix problems with the Fair Credit Reporting Act that allow mistakes in consumers' reports, does not give consumers adequate rights to clear up errors, does not sufficiently deter identity theft and does not protect medical privacy.

But supporters maintain that the national standards allow more people to get credit, thereby stimulating the economy.

'The national uniform credit reporting system has lowered costs and increased choice and convenience for American consumers,' Bachus said in a statement shortly after the bill was introduced. 'But by far the most striking result of our national credit reporting system is the dramatically increased availability of credit - what has been called the democratization of credit.'

In addition to permanently extending the states' pre-emption, the Bachus bill backers say their legislation would help consumers detect and correct fraudulent information, increase consumer awareness of their rights if they fall victim to fraud or identity theft, improve accuracy by cracking down on reintroducing wrong information, give consumers the right to obtain their credit information and simplify consumers' ability to limit unsolicited credit offers.

Timothy Muris, chairman of the Federal Trade Commission, said in testimony before the House Financial Services Committee earlier this month that 'preliminary research indicates that allowing the national standards to expire could have deleterious effects for consumers.'

OTHER NEWS:

Powell Endorses Liberian Peacekeeping Role (WPost)

U.S. Forces Would Support West African Contingent; Timing Remains Unclear

By Vernon Loeb

The Washington Post, July 23, 2003

Secretary of State Colin L. Powell yesterday pledged support for a West African peacekeeping operation in Liberia after speaking by telephone with U.N. Secretary General Kofi Annan.

But the Bush administration continued to resist entreaties from Annan to promptly announce plans to deploy U.S. peacekeeping forces and "spare no effort" in supporting a "vanguard" contingent from Senegal, Nigeria and other West African states.

As rebel factions attacking Monrovia announced a cease-fire, Powell told reporters that President Bush had promised to support the West African peacekeepers and determine "what else might be appropriate to do."

Powell's spokesman, Richard Boucher, explained later that any decision to deploy peacekeepers first must be made by member nations from the Economic Community of West African States.

"I think you'll have to ask the West Africans what sort of conditions they would believe they could go in under," Boucher said, adding that rebel factions and the government of Liberian President Charles Taylor must also be held accountable for abiding by the terms of a recent peacekeeping agreement negotiated in Ghana. "It's hard to keep the peace if there's no peace to keep."

But humanitarian relief officials and some policy analysts faulted the administration for waiting on the West Africans to fashion a solution and for not assuming a leadership role. The violence in Liberia has claimed the lives of hundreds of civilians and interrupted food distribution to hundreds of thousands.

During a recent trip to the continent, Bush publicly spoke of the need to bring peace to Africa. However, said Kenneth H. Bacon, president of Refugees International, "he has steadfastly refused to take a leadership role. We should care about [the situation in Liberia] for humanitarian reasons, and yet we're not leading."

William H. Twaddell, who served as chief of the U.S. mission in Liberia from 1992 to 1995 before retiring from the State Department three years ago, acknowledged that a U.S. peacekeeping contingent would need to coordinate closely with West African peacekeepers.

"But there are some things we can provide that are unique," Twaddell said. "One is that important airlift -- the ability to get ourselves and other forces on the ground. We're darn good on the logistics, and symbolically everybody is clamoring for the Americans to step up to the bat. In some ways, it's overdue."

Defense Secretary Donald H. Rumsfeld signed an order Saturday directing an amphibious group led by the USS Iwo Jima carrying 2,200 Marines to move from the Red Sea into the Mediterranean so it can continue to Liberia if Bush decides to send troops ashore.

The Iwo Jima, a helicopter carrier, the USS Carter Hall and the USS Nashville, transporting the 26th Marine Expeditionary Unit, would not arrive off the coast of Liberia until early August, a Marine spokesman said.

A day after Rumsfeld signed that order, he dispatched a 21-member Marine security team from Rota, Spain, to back up an earlier, 35-man Marine detachment guarding the U.S. Embassy in Monrovia. The unit arrived Monday as mortar fired rained on residential areas and struck a U.S. housing compound across from the embassy.

One defense official at the Pentagon said U.S. military representatives met yesterday in Dakar, Senegal, with defense ministers from West African states to try to determine how they were defining the peacekeeping mission to Liberia, who would participate, when they would go and what they needed from the United States.

"We think we're pretty close to getting some final information" from the West Africans, the official said, adding that it still is not clear whether the United States will need to contribute 500 troops to fulfill various logistical functions or a full 2,200-man Marine Expeditionary Unit to perform peacekeeping functions.

"None of that has been determined, because we don't know exactly what [the West Africans] are going to do," the official said. "As the president has said, the U.S. role is going to be in support" of nations from the Economic Community of West African States.

White House Remains Noncommittal On Troops For Liberia (NYTimes)

By DAVID STOUT

The New York Times, July 23, 2003

WASHINGTON, July 22 - The White House refused today to say when, or if, the United States would send a peacekeeping force to Liberia. But it said it "remains actively engaged" in trying to bring calm to the African nation.

"We continue to call on all parties to immediately cease military action," the White House spokesman, Scott McClellan, said at an afternoon news briefing.

Mr. McClellan fielded several questions about the bloodshed in Liberia and the fact that the United Nations secretary general, Kofi Annan, and several West African countries have practically begged the United States to send in troops.

Asked when there might be an announcement about an American peacekeeping force, Mr. McClellan said, "The discussions remain ongoing." A moment later, he added, "I would not try to put a time line on this."

The Pentagon has already ordered about 4,500 sailors and marines closer to Liberia by routing their ships from the Horn of Africa into the Mediterranean Sea, just in case. But the Bush administration is clearly agonizing over just what to do, with the Defense Department reportedly resisting involvement and the State Department more eager to find a solution.

Three weeks ago, before President Bush made his five-day visit to Africa, the administration was already under pressure to see a peacekeeping force to Liberia, where rebels have been fighting the government of President Charles G. Taylor. Since then, the carnage has worsened, with scores of civilians having been killed in the last two days.

Secretary of State Colin L. Powell deflected a question today on what he is recommending to President Bush. "The president and all of us in the administration are monitoring the situation in Liberia very closely," Mr. Powell told reporters at the Capitol, where he was meeting with lawmakers on several issues. "It's a very serious matter."

Mr. Powell added that he continues to be "in very close touch" with Mr. Annan.

Liberia poses an agonizing decision for the administration. The United States military has been deeply involved in Iraq and Afghanistan, and memories of the bloody intervention in Somalia a decade ago are still fresh around the Pentagon. On the other hand, Liberia has close historical ties to the United States. It was founded by former American slaves, its capital, Monrovia, is named after President James Monroe, and its very flag is modeled after The Stars and Stripes.

Powell Says US Should Not 'Look Away' From Liberian Plight (WTimes)

By Nicholas Kralev

The Washington Times, July 23, 2003

Secretary of State Colin L. Powell said yesterday that the United States has no vital strategic interests in Liberia's civil war but that it does have an obligation as the world's only superpower not to allow West Africa to "come apart."

In a self-criticism, he said that the Bush administration, which has demanded deployment of an African force before it sends any U.S. troops, has been slow in identifying what exactly that force needs from the United States.

The secretary, speaking to reporters and editors from The Washington Times, made a strong case for American involvement in bringing stability to the war-torn nation, although he noted that the mission will be limited in "scope and duration."

"In Liberia if you ask the question, 'What is our strategic, vital interest?' it will be hard to define it that way," he said. "But we do have an interest in making sure that West Africa doesn't simply come apart. We do have an interest in showing the people of Africa that we can support efforts to stabilize a tragic situation as we work with others to bring relief to people - people who are desperately in need."

In addition, Mr. Powell said, "We do have a historic link to Liberia, and we do have some obligation as the most important and powerful nation on the face of the earth not to look away when a problem like this comes before us.

"We looked away once before in Rwanda, with tragic consequences. This is not Rwanda, nor is it Somalia," where U.S. soldiers were ambushed by warlords while providing security for food relief in 1993.

Asked whether such thinking contradicts George W. Bush's opposition, as a presidential candidate, to the United States' being a global police officer during the 2000 election campaign, Mr. Powell insisted that the Bush administration is not trying to police the world.

"There is no situation we can ignore, but that doesn't mean necessarily the United States has to be the policeman that goes in. In the case of Cote d'Ivoire it was the French; in the case of Sierra Leone it was the British," he said in reference to recent peacekeeping missions to the two African nations.

"In this case, with all our European friends pretty stretched and with Liberia having a direct historical connection with the United States ... people look to us to help," he said.

He acknowledged that the United States also is "clearly stretching" its forces around the world, although there are "still unused capabilities."

The countries from the Economic Community of West African States (ECOWAS) that are preparing to send the initial contingent to Liberia "just don't have the capacity to deploy forces and keep them sustained in the field," Mr. Powell said.

"I don't need 250 guys with no equipment," he added. "Only the United States, France, Britain and maybe one or two other countries have that kind of capability within their armed forces."

According to the Liberian authorities, at least 600 people have been killed since rebels fighting to oust President Charles Taylor battled into the outskirts of Monrovia, the capital, during the weekend. The rebels said yesterday that they had ordered their forces to halt the attacks.

An amphibious group led by the helicopter-landing ship USS Iwo Jima, carrying 2,000 U.S. Marines, awaited orders in the Red Sea on its way to the Mediterranean on whether to continue around North Africa to Liberia.

Mr. Powell defended President Bush's decision not to rush into deploying American troops before the objectives and strategy of a multinational force are clearly defined, but he did not shy away from self-criticism.

"Where we have lost time in not moving as rapidly as I would like is identifying and putting in place and determining what those ECOWAS forces need from the United States or from the international community to do the job," he said.

A meeting in Senegal yesterday was an attempt to do just that, he noted. It was also assessing "how quickly some element of the peacekeeping force from ECOWAS can be moved to Monrovia."

Recalling the so-called Powell Doctrine from his time as chairman of the Joint Chiefs of Staff more than a decade ago, he said: "My view is that you should have a clear political objective if you are going to commit forces, and then commit the necessary forces to achieve that objective."

He also said the United States will have "nothing to do" with Liberia's political transition after Mr. Taylor's departure, which would include putting a new president in place, a transitional government and an election.

Mr. Taylor, indicted on charges of being a war criminal, has agreed to go into exile in Nigeria, but if, how and when he does "is another issue," Mr. Powell said.

He repeatedly emphasized his close cooperation on Liberia with U.N. Secretary-General Kofi Annan, with whom he said he speaks on the phone at least once a day.

Just before the end of the hourlong interview, an aide walked into the room with a message that Mr. Annan was calling for the second time yesterday.

Asked about recent comments by National Security Adviser Condoleezza Rice and British Prime Minister Tony Blair criticizing recent calls by some European countries, most notably France, for a "multipolar" world, the secretary said he is hardly worried about a serious challenge to the United States' dominance.

"Is France now out there trying to round up candidates to be the other pole in a multipolar system? That might be reading too much into French politics and French foreign policy," he said.

"Three months ago, everybody was writing that [another pole] already existed. It was France, Russia and Germany, and now, voila, it's just France. Let's wait awhile, wait for the dust to settle, see where our mutual interests are," Mr. Powell said.

He added that he has invited French Foreign Minister Dominique de Villepin to visit Washington for the first time since their bitter public disagreements at the United Nations before the war in Iraq.

"My French colleague and I have been in conversation, and I expect him to come over at the tail end of the summer or early fall," he said.

Ex-Members In Liberia (Roll Call)

By Brody Mullins and Michael E. Grass

Roll Call, July 23, 2003

Two former Members of Congress got a close-up look at the civil war in Liberia last week when they met with embattled Liberian President Charles Taylor.

Ex-Reps. Ronnie Shows (D-Miss.) and Bob Clement (D-Tenn.) were among a handful of Americans who visited the country as part of a weeklong humanitarian trip through Africa.

But Shows and Clement do not plan to lobby on behalf of Taylor in Washington. The two former lawmakers were there on a humanitarian trip and were acting as 'private citizens,' Shows said.

Still, Shows said he agreed with Taylor that the United States should send troops into the country to keep the peace before the dictator's expected departure. When they arrived in Liberia, Taylor assured the former lawmakers that he would leave the country if the Bush administration agreed to provide troops to keep the peace while a new leader could be installed.

"I tend to agree that they need some troops in there before he leaves," Shows said. "Basically, you would have a vacuum in there. It would be chaos. I didn't hear one person saying, 'Leave now without troops being there.'"

Shows left Liberia less than 48 hours before fighting resumed in the war-torn country. "We were just listening and gathering information," he said.

Shows and Clement, accompanied by two former Democratic Congressional candidates - Joe Turnham from Alabama and Rick Carne of Ohio - were in Africa to attend a summit in Nigeria when they were invited by religious leaders to make the trip to Liberia.

"They showed up and asked if we could come to Liberia to give them some help," Shows said.

Shows and Clement stayed in Liberia for three days and two nights, departing last Thursday.

When Shows arrived back in Mississippi and turned on the radio, he learned that rebel troops had started attacking Taylor loyalists not far from where they had met.

Fighting erupted Monday around the U.S. diplomatic compound, which was hit by one mortar round. U.S. Marines based in Spain were dispatched to provide security.

Shows and Clement, who briefed the State Department about their visit upon their arrival in the United States, had been planning to organize a Congressional delegation to Liberia to meet with Taylor. But now that fighting has resumed, those plans are on hold.

New Joint Homeland Security Lobbying Operation Launched. Stonebridge International and BKSH & Associates have joined forces to tackle the still-emerging homeland security lobbying sector.

And to lead the operation, known as Civitas Group, the firms have tapped international security and counter-terrorism expert Michael Hershman, who is well-known on Capitol Hill for being the senior investigator for the Senate Watergate Committee in the early 1970s.

Civitas will be co-chaired by Sandy Berger, chairman of Stonebridge International, and Charlie Black, chairman of BKSH. Berger served as national security adviser in the Clinton administration, and Black has been a longtime adviser to GOP presidents.

Civitas' advisory board has another high-profile terrorism expert as its chairman, former Sen. Warren Rudman (R-N.H.).

Adding a Carolina Legacy. The chief of staff to then-Sen. Jesse Helms (R-N.C.), Jimmy Broughton, has resurfaced on K Street as part of the expansion of the government relations practice Womble Carlyle Sandridge & Rice.

The firm, founded in 1876 in Winston-Salem, N.C., already has many Carolina connections. Burley Mitchell, former North Carolina Supreme Court chief justice, Jeff Lane, former chief of staff to Sen. John Edwards (D-N.C.), and Ashley Thrift, former chief of staff to Sen. Fritz Hollings (D-S.C.), are all affiliated with the firm's government affairs practice.

Broughton himself is the grandson of a former Tar Heel governor and Senator, J. Melville Broughton (D), and son of another former North Carolina governor, J. Melville Broughton Jr. (D).

Leaving the Executive Branch. Emilio Gonzales, a top national security aide in the Bush White House, is leaving the administration to fill a top government affairs position at the law firm Tew Cardenas.

Gonzales advised President Bush and National Security Adviser Condoleezza Rice on security matters facing the Western Hemisphere.

Additionally, the firm snagged Sloan Rappaport, who is a senior policy adviser to Commerce Secretary Donald Evans. He will start at the firm on Aug. 1.

On a New Track. Former FedEx Corp. lobbyist Marque Ledoux has switched to a new mode of transportation, representing the interests of one of the nation's largest railroads, Norfolk Southern.

At the railroad, he will be the assistant vice president of public affairs based out of Norfolk's D.C. office.

Leaving the Hill. Laura Quattlebaum, former legislative director to Rep. Jack Kingston (R-Ga.), has joined the Troutman Sanders Public Affairs Group.

She will divide her time between D.C. and Georgia, concentrating on appropriations and other legislative lobbying efforts.

Liberian Says He'll Leave In 10 Days; Fighting Eases (NYTimes)

By SOMINI SENGUPTA with LAURIE GOODSTEIN

The New York Times, July 23, 2003

MONROVIA, Liberia, July 22 - President Charles G. Taylor tonight offered the most specific timetable for his promised departure. Rebels here also said they had ordered their troops to stop attacks, after four days of shelling and gunfire that the government estimated had killed more than 600 people.

It was unclear whether the rebel group, Liberians United for Reconciliation and Democracy, was aware of Mr. Taylor's latest departure plans, which he disclosed in a telephone interview.

The larger mystery was whether either side's declarations were credible. Mr. Taylor, who announced more than six weeks ago his intention to leave the country, has repeatedly amended his plans. So has the rebel faction, whose goal is to depose Mr. Taylor, announcing cease-fires and saying it would stop assaults on the city, only to continue.

Though less intense than the nonstop assault on Monday, fighting continued throughout today. Mortar rounds began pounding the capital's diplomatic neighborhood this afternoon, killing at least two people across the street from the United States Embassy, including a mother holding her child.

Tonight, in a telephone interview arranged by an American evangelist, the Rev. K. A. Paul, whom Mr. Taylor described as "my religious leader" and who also took part in the interview, Mr. Taylor said he would step aside "within 10 days." He said he would hand power to a confidante, the speaker of the Liberian House of Representatives, Yundueh Monorkomna. Mr. Taylor said he would make the formal announcement on Saturday, a national holiday here.

Mr. Taylor has made a number of announcements about his exit. He said on July 7 in a interview with The New York Times that he would leave his country for a brief "cooling-off period" but return to take part in politics. Later, his spokesman said he was under pressure from supporters at home to remain in Liberia. Mr. Taylor has also insisted that he would not step down until foreign peacekeepers arrive.

In the telephone interview tonight, he did not respond to a question about whether the arrival of foreign peacekeepers was still a condition for leaving. Nor did he specify whether he would only step aside from the presidency or leave the country altogether. He has already accepted an offer of asylum in Nigeria, but tonight Mr. Paul said negotiations were under way with Ghana and Chad.

Mr. Taylor said he could be trusted to fulfill this pledge because he had made a commitment to Mr. Paul, a Christian evangelist based in Houston.

Mr. Paul visited Monrovia last week at the invitation of several religious leaders from Liberia. Born in India, he preaches at rallies around the world and draws large audiences in India and in some African countries. He said he had first met Mr. Taylor last week, and prayed with him for several nights in the president's "prayer room" in his home in Monrovia.

Mr. Paul said, "I believe this man is genuinely committed to me, and he will step down in my presence."

In Ghana, where Liberian peace talks are ostensibly continuing, rebel leaders announced this afternoon that they had ordered their troops to stop attacking. Whether they would abide by anything resembling a cease-fire remained unclear.

It was impossible for Monrovia residents to tell today where the shelling was coming from and who was responsible.

The defense minister, Daniel Chea, accused the rebels of shelling the innocent, chastised the international community for "bickering" over how to help and demanded a suspension of a United Nations arms embargo on Liberia. The Security Council imposed penalties over Mr. Taylor's role in supporting a rebel movement in neighboring Sierra Leone. He has since been charged with crimes against humanity by a United Nations-backed tribunal in that country.

For their part, rebel officials said they had ordered their fighters to maintain the status quo. "We are telling them to stop shelling even if they are being shelled," Kabineh Janeh, a rebel representative, said in a telephone interview from Ghana. "We are not firing on diplomatic quarters. That has always been those who are working for Mr. Taylor."

For the first time since Saturday, when the latest assault began, the president stepped into the streets of Monrovia, traveling in a heavily fortified motorcade to bury his mother, Zoe Taylor, 77, who died nearly a month ago.

Funeral services were held inside a small Baptist church filled with relatives and government officials dressed in their Sunday best. Mr. Taylor arrived in the white safari suit he favors these days. The body was brought in a white coffin with gold trim. Flowers had been flown in from Abidjan, in neighboring Ivory Coast.

The defense minister, Mr. Chea, said this morning that the fighting had claimed more than 600 civilians since Saturday. It was impossible to verify the figure. Reports from the one functioning hospital in Monrovia and from three clinics run by relief workers suggested a death toll closer to about 120.

Outside the American Embassy, the mutilated bodies that had been laid thereon Monday by an angry, grieving mob remained this morning, wrapped in plastic sheeting donated by Merlin, a medical aid group. They were buried later in the day, most of them on the nearby beach. The fighting made it impossible to take the dead to cemeteries.

Mortar rounds rained down on downtown Monrovia this morning as fighting continued for control of two bridges leading to the city center. Shelling continued through the afternoon on the eastern outskirts, temporarily driving out thousands of people seeking refuge at a sports stadium.

Around 3:30 this afternoon, mortar rounds began pounding the area across from the American Embassy, causing familiar scenes: aid workers carrying one person hit in the eye by a piece of shrapnel; a man with a bleeding head being ferried in a wheelbarrow; a woman walking by, limping and screaming and holding her gut.

Rebels Agree To Cease-Fire; Foreigners Leave Monrovia (WSJournal / AP)

The Wall Street Journal/ Associated Press, July 23, 2003

ACCRA, Ghana -- A Liberian rebel group engaged in an all-out battle for the country's war-torn capital said Tuesday it has ordered its troops to stop fighting.

"Our troops are being told to cease fire," said Charles Benny, an official with the rebel movement Liberians United for Reconciliation and Democracy, currently in nearby Ghana for peace talks. The call to stop fighting comes the day after a thunderous barrage of shells rained down on the city in the bloodiest fighting in two months.

According to government officials some 600 people were killed in Monday's fighting. However, aid workers and hospitals gave a lower death toll, saying at least 90 people were confirmed killed, though they expected the death count to rise. Mr. Benny said he welcomed the announcement that Nigerian forces were ready to help lead a West African peacekeeping force in Liberia.

In Monrovia Tuesday, Marines at a U.S. Embassy compound evacuated foreign aid workers and journalists in helicopters.

Liberian Defense Minister Daniel Chea claimed Tuesday that the death toll from recent fighting was well over 600 people, but there was no way to independently confirm the figure. Aid groups and hospitals have put the number of dead above 90, but say they expect that number to rise.

In a phone interview with The Associated Press on Monday, embattled Liberian President Charles Taylor repeated his call for a promised West African peacekeeping force to arrive quickly to "bring some sanity" to the nation founded by freed American slaves.

But Mr. Taylor said the best way to ensure stability was through U.S. troops on the ground, in addition to the Marines guarding the U.S. Embassy. "An American contingent would be excellent," he said.

Meanwhile, a storm of mortars rocked residential neighborhoods along with two U.S. Embassy compounds in the rebels' third attempt to take Monrovia - Mr. Taylor's last stronghold. An American journalist was among the injured.

American helicopters landed in the Embassy compound in a driving rain Monday, dropping off about half of a 41-member Marine security team. The troops, who were sent to beef up security at the embassy, evacuated about 23 foreign humanitarian workers and journalists.

Clutching bags and backpacks, the evacuees ran to the aircraft as Marines and embassy officials shouted: "Go! Go!" Among them were the United Nations' last seven foreign staffers, who had returned to Monrovia just two weeks earlier during a lull in fighting.

U.S. officials announced that 4,500 more American sailors and Marines have been ordered to position themselves closer to Liberia, if needed for an evacuation of Americans, peacekeeping or some other mission.

"We're concerned about our people," President Bush told reporters Monday at his ranch in Crawford, Texas. He indicated he had not yet decided the size of a U.S. force that might be sent to help a promised West African peacekeeping mission in Liberia.

On Tuesday, fighting was focused in the port area. Mr. Chea, the Liberian defense minister, said rebels made another attempt to take control of two bridges leading from the port to the downtown area, but that government troops held them off.

Residents, meanwhile, reported a sleepless night of intense looting by fighters. Early Tuesday, there was a lull in fighting although sporadic gunfire continued. People took the opportunity to forage for food and water.

After Monday's blasts, enraged Liberians dragged bodies from the residential compound and lined them up in front of the embassy, next to a wall emblazoned with the American seal. The group demanded to know why Washington has not sent troops to end more than a decade of strife in the West African nation.

Monday appeared to be the bloodiest day in two months of fighting by rebels attempting to seize the capital.

Among the injured, Tom Masland, an American who is Newsweek's African regional editor, was hit in the arm by shrapnel.

U.N. Secretary-General Kofi Annan once again urged Washington and West African states to commit troops. "I think we can really salvage the situation if troops were to be deployed urgently and promptly," he said.

President Taylor has pledged to resign and accept an offer of asylum in Nigeria -- but only after peacekeepers arrive to ensure an orderly transition. But in his interview with the AP, he also hinted he might make other demands of Mr. Bush before agreeing to step down.

"I have written him a letter outlining to him certain things that are necessary for me to step down and certain things that are necessary for me to leave the country," Mr. Taylor said, without elaborating.

President Bush has said any deployment of U.S. troops is conditional on the departure of Mr. Taylor, a former warlord indicted for war crimes in Sierra Leone, where he supported a brutal rebel movement.

Mr. Chea, the defense minister, said either the international community should deploy peacekeepers now or immediately lift a U.N. arms embargo so that government troops could better defend themselves. The embargo was imposed to punish Mr. Taylor's regime for trading guns for diamonds with rebels in Sierra Leone.

He said if the government could freely get arms, the international community "would not have to deploy anybody. We are quite capable of defending our own people," he said.

Liberia's Rebel Leaders Call For Cease-Fire; Deaths Climb (LATimes)

The order will take time to trickle down, the insurgents say. West African officials meet to discuss a deployment of peacekeepers.

By Ann M. Simmons

The Los Angeles Times, July 23, 2003

MONROVIA, Liberia - Rebel leaders outside Liberia called on their soldiers Tuesday to stop a blistering onslaught on this war-torn capital as senior West African officials met, seeking a way to deploy peacekeepers.

Despite the call for a cease-fire, sporadic gunfire and shelling continued throughout the day and night. The civilian death toll from three days of fighting between the rebels and the government of President Charles Taylor climbed to at least 120, according to humanitarian groups. Government officials put the number of fatalities at 600.

Leaders of the rebel movement Liberians United for Reconciliation and Democracy, or LURD, said it would take time for the cease-fire to be heeded.

"Yes, we did call for a cease-fire, but it's going to take some time for the orders to trickle down," said LURD military advisor Gen. Joe Wylie, who spoke by phone from the Ghanaian capital, Accra, where he was taking part in peace talks. "It's not a soccer game where when the game ends, everybody stops. This is war."

West African defense officials met in Senegal to discuss sending troops, but regional leaders have made it clear that no soldiers would be dispatched without an end to the fighting, the latest chapter in Liberia's 14-year civil war. The rebels have said their aim is to oust Taylor.

"We have to stop the shooting so that the peacekeepers can come in," Wylie said.

The Bush administration has said it would consider deploying U.S. troops only after Taylor stepped down. About 4,500 Marines and sailors were dispatched to the Mediterranean on Monday, but Liberians complained that the potential help was still too far away for comfort.

"Mediterranean? Is that where the fighting is going on?" asked Ernest Jackson, 23. "The fighting is going on here in Monrovia, Liberia, to be specific. And it's very, very dangerous, so they must come. We need them in Liberia. If they don't know the way, they can call me and I'll direct them here."

Reports spread Monday that Taylor would leave the country today. But rebel leaders said that wasn't true.

"It's a rumor," Wylie said. Taylor is "a man with many tongues and many voices. So when he says he is leaving, you can't always believe him."

"The sooner he leaves, the better off he will be," he added.

Wylie said that if the rebels caught Taylor, they would hand him over to the United Nations-backed war crimes tribunal that has charged the president with helping fuel Sierra Leone's brutal 10-year civil war.

Taylor, who has accepted an offer of asylum in Nigeria, has insisted that he will leave once peacekeepers arrive. He also said he first wanted to bury his mother, Zoe, who died last month.

On Tuesday, Zoe Taylor was buried as a military band played. Her son arrived at the funeral dressed in a trademark white safari suit adorned with a green sash. He cried softly at the Baptist church as he stood before her coffin covered with bouquets of lilies that read, "Love" and "Peace."

A paper program featuring pictures of Taylor with his mother and other family members was distributed to the mourners as they entered the church.

The pews were filled with more than 200 people, men in suits and women wearing dresses and head wraps mainly of mauve or white - the typical colors of funeral dress here.

Priscilla Coke-Sumo, niece of the deceased, said her aunt hated the color black. She described the matron as "a caring woman who loved farming."

A robed choir sat ready to intone Zoe Taylor's favorite hymns, including one titled "How Tedious and Tasteless the Hour."

The scene at the church stood in stark contrast to the misery and destruction elsewhere in the city.

Many of the 30,000 displaced people who have found shelter under the stands in the city's main football stadium were forced to flee the arena after a storm of shells began to pound the neighborhood. They later returned.

Eighteen bodies that had been stacked outside the U.S. Embassy after the victims were killed Monday in a barrage of mortar shells were bundled in large plastic sheets and carried to the nearby beachfront to be temporarily buried in group graves.

Alfa Yaseweyeh arrived at the reddish sand in the pouring rain, searching for his 22-year-old son, Moduray, who was among those killed.

Wrapping the young man's body in a sheet that he decorated with green vines plucked nearby, Yaseweyeh asked the gravediggers to place the body in a separate pit. Saying a prayer over the site with four of his other sons, he placed a single stick at the head of the grave.

At the housing-complex-turned-hospital of the Belgian branch of the relief agency Doctors Without Borders, civilians - dozens of women and children among them - lay on blankets on concrete floors or on cots in rooms that were recently offices and bedrooms. Some nursed gunshot wounds; others writhed in pain from injuries inflicted by shrapnel blasted from mortar shells and grenades.

The aid group received 82 wounded civilians at its compound Monday; on Tuesday almost 30 arrived.

One surgeon, helped by two doctors and several nurses, had been working almost around the clock trying to save lives, said Dr. Hani Khalifa. Few of the medical personnel were getting more than three hours of sleep a night.

Twelve major surgeries were performed Monday, Khalifa said, including on a pregnant woman who had a bullet lodged in her side. The hospital's blood supply has been depleted to just five or six pints.

Too terrified to leave, relatives of the victims had also jammed the compound, sleeping on floors or on mattresses under tents.

"It's overcrowded," said Khalifa, who estimated that the complex was now providing shelter to 300 people, including the staff members of the relief group.

"Because of the insecurity outside the compound, whenever you discharge a patient, they can't leave," he said. "This is one of the difficulties we are facing, because we cannot empty the hospital.

"In a simple word, it's a mess," the doctor said.

11 Nations Join Plan To Stop N Korean Ships (USAT)

By Barbara Slavin

USA Today, July 23, 2003

WASHINGTON - The Bush administration is preparing to tighten an economic noose around North Korea, even as it considers new talks to persuade the regime of Kim Jong Il to give up nuclear weapons.

The administration has lined up 10 other nations to join a so-called proliferation security initiative. These countries - Japan, Australia, Britain, France, Germany, Italy, Poland, the Netherlands, Bulgaria and Spain - have agreed to intercept North Korean ships suspected of carrying weapons and illegal drugs, major sources of hard currency for Kim's government.

A State Department official who is familiar with the program but asks not to be named says, "We're ready to rock and roll right now" on the interception program. "All we need is actionable intelligence" on a suspect North Korean shipment, he says.

Despite administration assurances that it seeks a diplomatic solution to the crisis, State Department officials are not optimistic about the prospects for new talks, which could take place as early as next month in Beijing. "No one has a good, new solution to this problem," one concedes.

U.S. intelligence shows that North Korea is accelerating its nuclear program by reprocessing used reactor fuel. It could produce enough plutonium for a half-dozen bombs this year, in addition to the two bombs' worth it is believed to have had for a decade. The regime's goal is to ensure its survival and deter attacks by becoming the world's ninth nuclear arms power. The others: the United States, Russia, Britain, France, China, Pakistan, India and Israel.

The Bush administration says it is willing to talk to North Korea, but only if Pyongyang agrees that diplomats from Japan and South Korea, as well as China, eventually take part. Diplomats are trying to craft a common position to present to North Korea. But an Asian official in Washington says the administration is reluctant even to call the position a "proposal," for fear of looking like it is following the route of the Clinton administration. In 1994, that administration traded economic and political concessions for a North Korean freeze of its nuclear program. That agreement capped plutonium production, but it unraveled last fall after North Korea admitted that it had a second, secret program to make enriched uranium for bombs.

"We've made it very clear that we will not give in to blackmail," White House spokesman Scott McClellan says. He denies published reports that the administration was considering offering a formal security guarantee if North Korea gave up its nuclear program.

Victor Cha, a North Korea expert at Georgetown University, calls the Bush approach "the least worst option. Putting multilateral pressure on the regime has never been tried before."

Others say the administration squandered a chance to slow North Korea's nuclear development two years ago when it dropped the Clinton strategy of one-on-one negotiations and began branding the Kim regime as "evil."

"In the last two years, we've convinced the North Koreans that we're out to get them," says Robert Einhorn, a proliferation expert at the Center for Strategic and International Studies. Einhorn negotiated with the North Koreans under the Clinton administration.

Kenneth Quinones, a former Korea analyst for the State Department, says the United States has three options for dealing with Pyongyang, all of them "just absolutely appalling":

- Attack North Korea and risk retaliation that would kill more than a million South Koreans and many U.S. troops.
- Hope the Chinese, who provide 70% of North Korea's fuel and a third of its food, "will pull the rug out from under" Pyongyang. That could lead to a deeper humanitarian crisis in North Korea and massive refugee flows but not necessarily bring down the regime.
- Learn to live with a nuclear North Korea.

Failure to contain the program could have dire consequences.

"If North Korea continues on its present course, by the end of the year, I think we'll have about eight nuclear weapons, and next year will be in serial production of about five to 10 nuclear weapons a year," former Defense secretary William Perry told PBS' NewsHour with Jim Lehrer on Monday. Such an escalation, Perry said, would give the North Koreans enough weapons to target Japan and South Korea and to sell bomb material to terrorists.

It's Either Nukes Or Negotiation (WPost)

Op-ed by William J. Perry

The Washington Post, July 23, 2003

North Korea's nuclear facility at Yongbyon, which had been "frozen" under international inspection since 1994, was reactivated this January for the production of plutonium. Just last week the North Koreans announced that they intended to use the resulting plutonium to make nuclear weapons, which only confirmed what we always believed.

If it keeps on its present course, North Korea will probably have six to eight nuclear weapons by the end of the year, will possibly have conducted a nuclear test and may have begun deployment of some of these weapons, targeted against Japan and South Korea. By next year, it could be in serial production of nuclear weapons, building perhaps five to 10 per year.

This is a nightmare scenario, but it is a reasonable extrapolation from what we know and from what the North Koreans have announced. The administration to this point has refused to negotiate with North Korea, instead calling on the countries in the region to deal with the problem. The strategy underlying this approach is not clear, but the consequences are all too clear. It has allowed the North in the past six months to move from canned fuel rods to plutonium and, in a few more months, to nuclear weapons. And the consequences could extend well beyond the region. Given North Korea's desperate economic condition, we should expect it to sell some of the products of its nuclear program, just as it did with its missile program. If that happens, a nuclear bomb could end up in an American city. The administration has suggested that it would interdict such transfers. But a nuclear bomb can be made with a sphere of plutonium the size of a soccer ball. It is wishful thinking to believe we could prevent a package that size from being smuggled out of North Korea.

How did we get into this mess?

For several decades North Korea has aspired to have nuclear weapons. During that period successive administrations have, through a combination of threats and inducements, curtailed their program but never their aspirations. In the late 1980s the first Bush administration saw the potential danger and persuaded the Soviet Union to pressure North Korea to join the nuclear Non-Proliferation Treaty and subject its nuclear facilities to international inspection. The North Koreans complied, but they stalled long enough to give them time to make and store enough plutonium for one or two nuclear bombs before the inspectors arrived.

Shortly after the Clinton administration took office, they tried again. As spent fuel was being taken from the nuclear reactor at Yongbyon, the North Koreans ejected the inspectors and began preparations for reprocessing. This would have given them enough plutonium for five or six additional nuclear bombs. President Clinton considered this sufficiently dangerous that he declared reprocessing a "red line." In response, I had the Joint Chiefs prepare a plan to use military force if necessary to prevent this outcome. When Kim Il Sung offered to negotiate the issue, Clinton responded that he would negotiate only if the North Koreans froze all activity at Yongbyon during the negotiation. In the end, military force was not necessary. The agreement that ended this crisis was far from perfect, but in its absence North Korea could today have 50 to 100 nuclear weapons.

But the North Koreans never gave up their desire for nuclear weapons. Even as they complied with the freeze at Yongbyon, they covertly started a second nuclear program at a different location. American intelligence discovered signs of this program and last fall confronted the North Koreans, who did not dispute the charge. The administration responded by stopping fuel oil deliveries called for under the old agreement, to which the North Koreans responded by reopening Yongbyon and racing to get nuclear weapons.

There are three basic approaches for dealing with this dangerous situation.

The administration can continue to refuse to negotiate, "outsourcing" this problem to the concerned regional powers. This approach appears to be based on the hope that the regional powers will be able to prevail on North Korea to stop its nuclear

program. But hope is not a strategy. If their hopes are not realized and North Korea continues on its present course, it will soon have a significant nuclear arsenal. And while the regional powers could play a role in resolving this crisis, they are unlikely to succeed in the absence of a clear American negotiating strategy in which they can participate.

A second alternative is to put economic pressure on North Korea and hope for "regime change." Or the United States could take military action to bring this change about. But while the regime may one day collapse, with or without economic pressure, there is no reason to believe that it will happen in time -- the nuclear threat is imminent. Taking military action to force a timely regime change could result in a conflict comparable to the first Korean War, with casualties that would shock the world.

The third alternative is to undertake serious negotiations with the North Koreans to determine if there is a way to stop their nuclear program short of war. The administration is clearly reluctant to negotiate with the North Koreans, calling them loathsome and cheaters. It is easy to be sympathetic with this position; indeed, the only reason for considering negotiation with North Korea is that the other alternatives are so terrible. The administration, seeing the danger, has said that it "would not tolerate" a North Korean nuclear arsenal. The North Koreans responded to this declaration by accelerating their program. The conflict between our views and their actions is a formula for drifting into war. It is imperative that we stop that drift, and the only clear way of doing that is by negotiating.

Any negotiations with the North Koreans are likely to be difficult and protracted, so they should be predicated on a prior agreement that North Korea will freeze its nuclear activities during the negotiations. For negotiations to have a chance of success, they would need to have a positive dimension, making it clear to North Korea that forgoing nuclear weapons could lead it to a safe and positive future. But they would also need a negative or coercive dimension, both to induce North Korea to take the right path and to give us and our allies more credible options if diplomacy should fail. President Kennedy said it best: "We should never negotiate from fear, but we should never fear to negotiate."

The writer was secretary of defense from 1994 to 1997.

Numbers Add Up To Fall Recall Election (LATimes)

A Times survey finds that county officials have verified more than enough signatures to force a vote on removing Gov. Davis from office.

By Michael Finnegan and Allison Hoffman

The Los Angeles Times, July 23, 2003

County election officers have confirmed more than 1.1 million valid signatures on the petition for an election on whether to recall Gov. Gray Davis - well above the threshold to qualify for the ballot, a Los Angeles Times survey found on Tuesday.

The tally makes a recall vote in late September or early October all but inevitable. But in an interview Tuesday, Lt. Gov. Cruz Bustamante raised doubts about the widespread assumption that Californians would simultaneously vote on recalling Davis and on choosing a potential successor.

By 5 p.m. today, California's 58 counties must report their latest tallies to Secretary of State Kevin Shelley. Unless he rejects a large share of the signatures or a court intervenes, Shelley will have to certify the recall proposal for a statewide vote.

Bustamante said he would then take no more than 24 hours to set the date for California's first statewide recall election.

Together, those actions could clear the way for candidates to begin jockeying for position as they embark on a short and unusual campaign for control of the nation's biggest state government.

For years, local recall elections in California have offered voters a two-part ballot. The first part asks whether the elected official should be recalled. The second lists possible replacements.

Potential candidates to succeed Davis - including U.S. Rep. Darrell Issa (R-Vista), Los Angeles businessman Bill Simon Jr. and actor Arnold Schwarzenegger - have been expecting Bustamante to call a traditional two-part election.

But Bustamante refused to say whether he would call for the election of a Davis successor on the same ballot as the recall question.

When a governor faces a recall vote, the state Constitution requires the lieutenant governor to set the date for it - and to call for the election of a successor "if appropriate."

Bustamante, though, said it was not his role to decide whether a Davis recall ballot would include a vote on potential successors.

"My job is to set the date," he said.

Asked who would decide whether a simultaneous vote on a Davis successor occurs, Bustamante invoked the obscure Commission on the Governorship.

"I think it would take the commission and the California Supreme Court to make that decision," he said.

State law empowers the commission to "petition the Supreme Court to determine any questions that arise relating to vacancies in and succession to the office of Governor."

The commission chairman would be Senate President Pro Tem John Burton. The other members would be Assembly Speaker Herb Wesson, the University of California president, the Cal State system's chancellor and the governor's director of finance.

Burton, a San Francisco Democrat, said he was checking on his role as chairman, but he cast doubt on whether the panel was relevant to the recall. Burton said it was clear to him that the election of a successor would be on the ballot with the recall.

The law that sets up the commission is one of many under intense scrutiny by California officials and election lawyers.

"The prospect of the recall qualifying means that statutes that have been on the books for decades are going to be used for the very first time," said Nathan Barankin, a spokesman for state Atty. Gen. Bill Lockyer.

Shelley's spokeswoman, Terri Carbaugh, said the lieutenant governor has sought legal advice from the secretary of state's office.

Fred Woocher, a Santa Monica lawyer who specializes in election law, questioned whether the Commission on the Governorship would play a role in the Davis recall attempt. The commission, he said, appeared designed to address confusing questions of vacancy, such as might occur if a governor were disabled but refused to relinquish authority. In this case, he said, no such confusion exists.

The constitutional discretion to call for an election of a successor "if appropriate" would most likely apply to appointed judges recalled by popular vote, but not to governors, Woocher said, adding that it was "far-fetched" to argue otherwise.

The Times survey of county registrars found that even with some counties still not finished, they have validated at least 1,105,802 voter signatures on the petition for a Davis recall election.

It takes 897,158 to qualify the recall for the ballot, and Shelley, a San Francisco Democrat, must automatically certify that it is eligible for a vote if recall supporters submit 110% of the minimum - or 986,858.

Several potential candidates have been preparing to decide within days whether to enter the race. One of them, former Los Angeles Mayor Richard Riordan, stopped just short of ruling out a candidacy on Tuesday.

"The odds are I won't run," he said in an interview.

Advisors to other candidates have braced for the possibility that Bustamante would give them as little as one day to decide whether to enter the race.

But Bustamante said he believed that one day "would probably be too short a time."

Under the Constitution, Bustamante would have to call the election 60 to 80 days after Shelley certified that it qualified for the ballot. Candidates would have to enter the race at least 59 days before the election.

That unusually quick timeline has officials concerned about their ability to pull off the election without problems.

John Mott-Smith, chief of the secretary of state's elections division, said the concerns include having adequate time to print 15 million ballots and sample ballots, testing new voting equipment, recruiting and training poll workers, and finding secure polling places.

The usual time to prepare for a statewide election is 131 days.

A recall election this fall also would be complicated by the fact that some of California's most populous counties - comprising 56% of the state's voters - are in the midst of switching to new voting systems after retiring the old punch card ballots. In some cases, the new voting equipment has yet to arrive and election officials and poll workers have yet to be trained on them.

Gov Davis Comes Out Fighting In Round 2 Of Recall Campaign (WPost)

By Rene Sanchez

The Washington Post, July 23, 2003

LOS ANGELES, July 22 -- The last stand of California Gov. Gray Davis (D) has begun.

With almost no hope of stopping a recall from reaching the ballot this fall, the embattled governor is launching a fierce but risky counterattack to convince voters that dumping him in an extraordinary special election would reward extremists, cost the state more than \$30 million even though it is broke, and harm just about everything in California but the sunshine.

His poll numbers look bleak. His administration is in the grip of a \$38 billion deficit, the worst financial crisis in state history. And many Democrats fear he is doomed. But Davis is promising to fight the recall to the finish with the same hardball style that has defined his long political career.

He has escaped trouble before by playing rough. Last year, amid signs that voters had little enthusiasm for reelecting him, Davis spent \$10 million on attack ads that sank the most formidable Republican in the race even before the GOP primary and left him running against a political novice. Then he unleashed ads depicting that candidate as a shady businessman.

"The clowns behind the recall can expect much worse," said Bill Carrick, a veteran Democratic strategist. "Davis has never been reluctant to go for the jugular."

A recall election could become a certainty as early as Wednesday, when counties must turn in all the voter petitions they have received in support of a recall to California's secretary of state. Recall leaders say they have collected 1.6 million signatures, far more than the 897,000 they need to force a special election, and as of today more than one-third had been validated.

State officials are so confident the recall campaign has reached its goal that they are discussing potential dates this fall for holding a vote, less than a year after Davis won a second term.

For months, he had been calling the recall "mischief" that voters should ignore. Now, he is warning that California could soon be "hijacked" by radical right-wingers. "This election is not about changing governors, it's about changing direction," Davis said at an anti-recall rally in San Francisco this past weekend. "We want to go forward. They want to go backward."

Democratic leaders have closed ranks behind the governor, but are deeply worried about his chances of surviving.

"There's a lot of apprehension," said Leon E. Panetta, a former California House member who served as President Bill Clinton's chief of staff. "We're in uncharted waters."

But many Republicans are nervous, too, because they say Davis does few things better than fight for his political life.

"What he's doing definitely smacks of desperation," said David Gilliard, the director of a recall group known as Rescue California. "But it would be a tragic mistake for us to underestimate him."

So far, every attempt Davis and his allies have made to quash the recall has failed. They tried to sap the manpower of the petition drive by enlisting signature gatherers -- paying them more than the governor's opponents did -- in a campaign against the recall. But that did not slow the movement's momentum.

Davis supporters also have filed a lawsuit alleging that recall leaders obtained many voter signatures illegally. The suit asked that the petition count be stopped immediately until alleged fraud could be investigated. A judge denied that request, but Davis supporters appealed that decision on Monday.

Political strategists say that Davis faces an array of daunting challenges in his fight to avoid becoming the first governor in the country to be kicked out of office by a recall in more than 80 years. He has to keep other Democrats from jumping into a special election, demonize his political opponents, and convince voters frustrated with his handling of the budget crisis -- he tripled taxes on vehicles last month -- that California would slide into worse shape without him.

That campaign is hitting full throttle. Davis has won assurances from all of the state's top Democrats that they will not run in a recall election. His political operatives are testing anti-recall strategies with focus groups. And Davis is scrambling to raise money and court core Democratic constituencies that can get voters to polls.

Radio ads are denouncing the House member who financed the recall petition drive, Rep. Darrell Issa (R-Calif.), as a liar and a thug. And national help is on the way. Democratic National Committee Chairman Terence McAuliffe is promising to send Davis money and manpower and likening his struggle to the party's epic fight in Florida after the 2000 presidential election,

saying that Republicans are trying to "steal another election." The recall is drawing national interest because both parties say it could greatly affect their presidential campaigns next year in California, which is a pivotal state because of its size.

Almost every day now, interest groups are rushing, at times reluctantly, to the governor's side to denounce the recall. At a rally in Los Angeles on Monday, Davis stood with Jewish leaders who pledged their support. "We will defeat this cynical attempt to thwart the will of millions of Californians who just reelected him," said former House member Mel Levine.

Polls suggest that Davis needs all the help he can get, but that he still has a chance of beating the recall.

In a survey released last week by the independent Field Poll, 51 percent of voters said they were ready to oust Davis -- including about 25 percent of Democrats. But many also said they would be less likely to support the recall if the state's budget crisis is resolved soon and there is no Democratic choice on the ballot in a special election.

Only Issa, a multimillionaire business executive, and a Green Party candidate, Peter Miguel Camejo, have committed to running against Davis in a recall election. But film star Arnold Schwarzenegger, former Los Angeles mayor Richard Riordan and the GOP candidate Davis defeated last fall, Bill Simon, are also contemplating campaigns.

They may have only a few days to decide whether to put their names on a recall ballot, which would be nothing like California's electorate has ever seen.

First, the state's 15 million voters would be asked whether Davis should be recalled. Then, on the same ballot, they could choose a successor. The field of candidates would not be whittled by party primaries, and the winner, who would become governor immediately, would need only a plurality of votes, not a majority.

Recall campaigns have been launched against California governors 31 times since the state created the process in 1911, but none have come close to succeeding.

Davis, 60, has spent nearly 30 years in the top ranks of state government. He was chief of staff to Gov. Edmund G. "Jerry" Brown Jr. in the late 1970s and later was elected state controller and lieutenant governor. In 1998, Davis won the governor's race in a landslide by casting himself as a no-frills manager determined to improve public schools, protect the environment and support abortion rights and gun control. For much of his first term, Davis basked in huge budget surpluses.

Then the economy soured and the state's energy crisis struck, causing blackouts. Davis was widely criticized for reacting to it slowly and indecisively. Voters, who have never shown much personal affection for him, were furious.

When he ran for reelection last year, polls suggested he could lose to Riordan, a moderate Republican with a record of attracting Democratic voters. But Davis, a relentless fundraiser, amassed nearly \$70 million for the race and knocked Riordan out with negative ads. It was not the first time he had relied on that tactic. A decade ago, while competing in a primary for the Senate, Davis ran ads comparing Sen. Dianne Feinstein (D-Calif.), who was under scrutiny at the time for campaign finance practices, to convicted New York tax cheat Leona Helmsley.

Today, polls show that less than 25 percent of California voters like the job Davis is doing. Recall leaders say his strategy to stay in office will not work. "People are tired of his attack mode," Gilliard said.

But Democratic leaders are warning the governor's detractors not to write his political obituary just yet. "Any approach he takes on the recall is very risky," Carrick said. "But he has demonstrated in every campaign he has ever run that he's going to be absolutely furious on the opposition."

Backer Of California Recall Feels Heat Directed At Him (NYTimes)

By CHARLIE LeDUFF

The New York Times, July 23, 2003

LOS ANGELES, July 22 - Most Californians have never heard of Darrell Issa, the millionaire congressman who is bankrolling the effort to recall Gov. Gray Davis. But chances are, many know his voice.

Before he embarked on a second career in politics, Mr. Issa, a conservative Republican from San Diego, made a \$100 million fortune in the car-alarm business. That was his recorded voice on the Viper alarm system warning the interloper and stray dog alike to "please step away from the car."

"That's me," said Mr. Issa, raising his eyebrows, while sitting in his sparse campaign headquarters along the loop of John Wayne International Airport in Orange County, nothing on his desk but potato chips and a diet soda. "That made me a celebrity, sort of."

It also made him the money that allowed him to pour millions into his political career, including \$1.6 million into the effort to remove the Democratic governor from the Statehouse and insert himself in it.

And it provides a tasty backdrop for his opponents who are looking for ways to discredit the man who has brought California to the brink of this extraordinary political moment.

Because try as he might to step away from the car, Mr. Issa is bombarded at every turn with calls for an explanation to those nagging questions about two arrests for car theft in his youth.

"This stuff is 30 years old," said Mr. Issa, dressed in a blue polo shirt and khakis, his hair combed and parted with tonic, not hair spray as preferred by political veterans.

Such is the state of California politics. Already \$38 billion in the red, the state is expected to have to finance a \$30 million referendum on a governor who was just elected last November. On the same ballot California voters will be asked to pick a new governor should they back a recall.

And you can blame Darrell Issa or thank him for propelling a movement that just a few months ago looked as if it was going nowhere. The signatures needed to put the measure on the ballot - nearly 900,000 - are expected to be certified this week. If so, the recall vote will occur in late September or early October.

When asked why he was sinking a sizable piece of his personal fortune and reputation into the effort, he spoke of leaving a legacy.

"Some people want to amass a great amount of wealth and make a great looking obituary," he explained. "I'm going to die with more money than is good to leave my son."

So the two-term congressman has the Democratic governor reeling. According to a recent Field poll, 51 percent of likely voters say they would support the removal of Mr. Davis from office.

But whether they would turn to Mr. Issa, 49, is another question. In April, the Field poll found that, of registered voters, 79 percent had no opinion of Mr. Issa, a sign that he was barely known. Of likely Republican candidates, former Mayor Richard J. Riordan of Los Angeles, leads as the preference of likely voters, according to a July 16 Field poll.

Next comes Arnold Schwarzenegger, the actor with no political experience. There is Bill Simon Jr., the conservative who lost to Mr. Davis in the last election. Next are a couple of little-knowns and at the bottom of the list is Darrell Issa.

Still, he has a Congressional seat and a \$100 million fortune, and angry Democrats are determined to tar him, saying Mr. Issa's political record is shorter than his police record. They also say that his conservative views about abortion, guns and immigration are out of step with most of California.

"He might as well have tattoos on his arms," said Bob Mulholland, a campaign adviser to the California Democratic Party. "Arson, car thefts, gun charges. The man who muscled his way through life thinks he can muscle his way into the governor's office. He's mistaken."

And some Republicans, worried about his electability, are not much kinder. Despite the fact that Mr. Issa has single-handedly rejuvenated a moribund party that holds no statewide office, they say it is time for him to step aside.

"Schwarzenegger's the choice," one Republican operative said. "So, in two weeks, Republicans are going to pat Issa on the head, thank him for his service, then walk over his dead body."

Mr. Issa admits he is not gifted. He is dyslexic and to compensate for this, he says he studies hard, shoots from the hip and tries to memorize prepared statements.

"I have an I.Q. of 100 plus a little bit," he said. "I have to work real hard to get things when I read."

But now that the recall looks like a sure thing, Mr. Issa has developed his own formula to rescue California from its deficit without increasing taxes: changes in the worker's compensation system so employers pay less, wage freezes for state employees and 10 percent cuts across the board.

An issue for Mr. Issa is whether his voting record from his conservative Southern California district would play statewide. For instance, on the votes that the National Abortion Reproductive Rights Action League considered to be the most important in 2002,

Mr. Issa took its preferred position zero percent of the time. At the same time, the National Rifle Association gave him an "A" on gun issues. Voting records show him to be against most environmental measures and a big supporter of business.

Mr. Issa is of Lebanese descent and in that regard has tried to work with Arab leaders, particularly after the attacks of Sept. 11. He was the target of an assassination attempt by Irv Rubin, founder of the radical Jewish Defense League. The plot was discovered, Mr. Rubin arrested and late last year jumped off the second tier of his cell block and died.

Mr. Issa, with an eye to one of the state's large constituencies, says he votes consistently pro-Israel. "Peace in Palestine is inevitable," he said. "The question is how do we make it happen today."

Darrell Issa was raised in Cleveland Heights, Ohio, the second of six children. His father sold trucks and worked a second job at night grinding valves. His older brother William got his own room, and the young Darrell Issa admired him.

A poor student, Mr. Issa dropped out of high school at age 17. He joined the Army.

He was discharged on a hardship when his father fell ill and was sent home. In 1972, he and his brother William were arrested in the theft of a Maserati from a Cleveland car dealership. The case was dropped.

Last month The San Francisco Chronicle reported that in 1980, after Mr. Issa had re-enlisted in the Army as a 27-year-old officer, he was again arrested with his brother on felony auto theft charges.

The paper said that William Issa stole his brother's car, sold it to a dealership in San Jose and that within hours Darrell reported it stolen. The case was eventually dismissed for lack of evidence.

Mr. Issa offers a two-pronged defense. One is to blame it on youth. "Look, I was a kid," he said. "What would you rather have? A cardboard-cutout who never made a mistake when he was young only to become governor and then carry on like a juvenile delinquent?"

Defense No. 2: the I've-got-a-colorful-brother stratagem.

"I love my older brother Billy," said Mr. Issa, explaining that he got caught in the orbit of his ne'er-do-well brother who has five felony convictions for car theft and is currently unemployed in Cleveland. "He stole a lot of cars. He stole my car. You could say that drew me to the car alarm business. Poetic justice."

But there is the matter of possessing an unregistered handgun in Michigan a few months after the car theft charges. He was fined \$100 and put on probation for carrying a long .25 millimeter semi-automatic. The gun belonged to me, says his brother Billy.

"Don't blame my brother for my sins," Billy Issa said from his home in Cleveland.

The telephone rings. It is a political ally on the other end telling Darrell Issa that reporters are seeking more details on his past. He laughs.

"Some day," Mr. Issa tells him, "somebody's going to report on those little pineapple squares I snatched at a party."

Attorney Clears Hurdle in Defamation Action Against ABA (Legal Intelligencer)

By Shannon P. Duffy

The Legal Intelligencer, July 23, 2003

Attorney Richard A. Sprague has cleared another significant hurdle in his defamation lawsuit against the American Bar Association and its monthly magazine, the ABA Journal, now that a federal judge has ruled that a jury could conclude the magazine acted with actual malice when it described Sprague as a "fixer."

U.S. District Judge William H. Yohn Jr. found that since the magazine's employees were aware that the term "fixer" has both positive and negative meanings, a jury could conclude that they "either deliberately cast this description in an ambiguous light in the hope of insinuating a false import to the reader, or that defendants knew or recklessly disregarded the possibility that its words would be interpreted by the average reader as false statements of fact."

But Yohn also emphasized that his ruling was no indication of his own opinion on the merits of Sprague's case. Instead, he said, the decision merely recognized that the case presents a question that must be decided by a jury.

"I in no way intimate what I believe the correct resolution of this question should be. From the court's restricted procedural posture of considering defendants' summary judgment motion, I find simply that there is evidence that, if believed and weighed as

plaintiff urges, could support a jury finding, by convincing clarity, that defendants' publication was imbued with actual malice," Yohn wrote in his 17-page opinion in *Sprague v. The ABA*.

Sprague's first victory in the case came in November 2001 when Yohn refused to dismiss the suit, ruling that the magazine's description of Sprague in an October 2000 article as "perhaps the most powerful lawyer-cum-fixer in the state" was capable of defamatory meaning, according to court records.

The ABA's lawyers had argued that the description was clearly intended as a compliment since the term "fixer" is often used to describe "a prominent, highly successful lawyer, widely known and sought after for his effectiveness as a problem-solver and trouble-shooter in connection with politically sensitive issues and cases."

But Yohn sided with Sprague and found that "fixer" also has a negative meaning that includes the criminal act of "fixing" cases.

The ABA was on the winning end in the next round of litigation when Sprague and his lawyer, James E. Beasley, conceded that Sprague is a limited-purpose public figure and therefore must meet the actual malice test, according to court records.

In July 2002, the ABA's lawyers -- Joyce S. Meyers and Michael Twersky of Montgomery McCracken Walker & Rhoads -- moved for summary judgment, arguing that Sprague didn't have the evidence to meet the actual malice standard which calls for "clear and convincing" proof that the defendant "in fact entertained serious doubts as to the truth of his publication."

Now Yohn has denied that motion, finding that Sprague's evidence of actual malice just may be enough to convince a jury.

Yohn found that Sprague's case is "unique" and presents a question that has never been addressed by the 3rd U.S. Circuit Court of Appeals about defamation cases focusing on the use of an ambiguous word or term.

"The novel issue ... is how to apply the actual malice standard to a publication that contains a word of dual meaning, where one meaning is unquestionably defamatory, and the other is unquestionably not," Yohn wrote.

Yohn looked to the law of other federal appellate courts and found that "where a plaintiff's defamation case depends on material that is capable of both defamatory and innocuous meanings, other circuits have interpreted the appropriate inquiry to be defendant's state of mind as to a reader's potential defamatory interpretation of the material."

In *Salano v. Playgirl*, Yohn found, the 9th Circuit described the actual malice standard in such cases as requiring proof that the defendant "either deliberately cast its statements in an equivocal fashion in the hope of insinuating a false import to the reader, or that it knew or acted with reckless disregard of whether its words would be interpreted by the average reader as false statements of fact."

As in any actual malice case, Yohn said, the focus must remain on the defendant's "actual subjective state of mind."

But since defendants are unlikely to admit to a subjective state of mind that is a ground for liability, Yohn found that "objective circumstantial evidence" is sufficient to show actual malice.

Applying the test, Yohn found that while the ABA Journal's employees deny intending or even anticipating that readers of the Journal would interpret the term "lawyer-cum-fixer" in the defamatory way, Sprague nonetheless has evidence that could lead a jury to reject those denials.

The author of the article, Terry Carter, admitted in his deposition that he looked up a dictionary definition of "fixer" and that one meaning included among the definitions was the defamatory meaning, Yohn noted.

Carter also testified that it might be impossible to think of an accusation against a lawyer that is more defamatory than accusing one of being a fixer, Yohn noted.

And the magazine's managing editor, Debra Cassens, who reviewed the article before it was published, conceded in her deposition that she assumed that the average reader of the ABA Journal would be familiar with both meanings of the word "fixer," including the defamatory one.

Yohn found that the ABA Journal has also previously used the terms "fix" and "fixer" in negative contexts in articles discussing allegations of fixed cases.

"Such prior negative use is valid evidence supporting a jury finding that Journal editors knew of the defamatory capacity of 'lawyer-cum-fixer,'" Yohn wrote.

Sprague also has evidence that the original draft of the article included more information about Sprague's legal experience that was deleted before the article was published, Yohn noted. The judge found that although it is "highly debatable" whether the

jury should draw any inferences from the decisions to edit certain words and phrases out of the story, it was nonetheless "proper evidence for jury consideration because, taken in a light most favorable to plaintiff, they may bear on the actual malice issue."

Considering all of Sprague's evidence, Yohn concluded that a reasonable jury could decide that the magazine acted recklessly since it knew of the defamatory meaning of the term "fixer" and its potential for causing reputational harm.

Falun Gong Convenes At Capitol (WTimes)

By Mark Powell

The Washington Times, July 23, 2003

About 1,500 practitioners and supporters of Falun Gong rallied on the Capitol's west lawn yesterday, where they held a mock trial of former Chinese President Jiang Zemin.

It was the fourth consecutive annual Washington demonstration, following Mr. Jiang's July 1999 crackdown on the meditation sect.

The group says its members are routinely tortured while detained in China and that about 750 Falun Gong practitioners have died in custody.

China has outlawed the group, which it calls an "evil cult."

Yesterday's event was the culmination of several days of activity that began with the arrival late last week of about 5,000 Falun Gong proponents from around the world.

Falun Gong is a yogalike combination of meditation and gentle physical posing that is said to enhance general well-being.

Paul Yuan, a computer systems consultant who traveled half way around the world from Sydney, Australia, said that Falun Gong is apolitical, but that Beijing is "jealous" of its vast appeal to ordinary Chinese.

Terri Marsh, a Washington attorney who filed a lawsuit against Mr. Jiang in U.S. District Court for the Northern District of Illinois, was also at the rally.

Ms. Marsh and her associates said they have a track record of convictions of several international figures using available U.S. laws, including the Alien Tort Claims Act and the Torture Victims Protection Act.

She said Mr. Jiang was served papers on the suit in Chicago in October, just days after its filing there, by "substitute service" - essentially, serving Mr. Jiang's security detail.

Legal experts said the lawsuit is almost certain to be dismissed because national leaders are immune from prosecution.

China's Spiritual Outlaws (WPost)

Falun Gong Bring Their Cause To Capitol Hill

By Philip Kennicott

The Washington Post, July 23, 2003

Former Chinese president Jiang Zemin, or rather a padded cardboard box wrapped in a black T-shirt that is representing him in effigy, is getting a lecture on the details of human immolation: "We all know that hair is one of the first things that burn on a human body," says a woman, called as a witness in a mock trial yesterday at the West Front of the Capitol.

This little fact about self-immolation matters at the moment because the Chinese government has accused the Falun Gong spiritual movement of (among many other crimes) inciting its members to burn themselves in protest. Falun Gong members, who met in Washington over the past few days to mark the fourth anniversary of a brutal repression that began under Jiang's rule, deny the charge. And in yesterday's mock trial they produced a videotape they claim shows, among other inconsistencies, a self-immolation victim whose hair isn't burning the way one might expect. Conclusion: The self-immolation incident, which was widely broadcast (with devastating effect on Falun Gong's popularity) on Chinese television, had nothing to do with Falun Gong and may have been set up, misrepresented or somehow faked.

Four years into the struggle between Falun Gong and the Chinese government, there is a sense that this has become an insular squabble, charge and countercharge, claim and rebuttal, all of it becoming rather too internecine for casual observers to sift the facts from the chaff. At a meeting in the Rayburn House Office Building on Monday, Falun Gong practitioners argued that the Chinese government's repression has extended its long reach to the United States. They say Chinese officials hire thugs and

illegal immigrants to intimidate, threaten and beat up Falun Gong believers. People told of vandalized apartments, arson, and ominous calls from Chinese consulate officials to hotel proprietors, newspaper publishers and anyone else who hosts, or supports, or helps Falun Gong spread its message.

A Chinese Embassy spokesman denies it, but there's enough concern that Rep. Henry Hyde raised the issue of an attack on a Falun Gong practitioner in Illinois when the Republican met with Li Peng, a top Chinese official, last year. Li responded, according to sources familiar with the meeting, with a familiar line: Falun Gong is an evil cult.

If the hundreds of people in yellow T-shirts, sitting cross-legged in neat rows underneath yesterday's braising sun and rain, feel wounded, it's because "cult" is a label that sticks very easily. It was unveiled, in earnest, four years ago when large Falun Gong demonstrations in China so unsettled the Chinese government that it began an often-violent crackdown. But even if Jiang Zemin was on trial yesterday for the crackdown -- accused of torture, economic repression, even, say his accusers, genocide -- he has also managed to put Falun Gong on trial in the court of public opinion.

"Falun Gong has been outlawed by the Chinese government," says Sun Weide, spokesman of the Chinese Embassy. "The reason for this is that this evil cult has committed many crimes. It has caused over 1,700 deaths, including those people killed by Falun Gong practitioners, including people who have burned themselves."

These kinds of charges (vigorously denied and mostly unsubstantiated), and especially the word cult, can sow confusion and suspicion, followed by a befuddled indifference, among outsiders.

Cult is a word without much use outside the realm of religious mudslinging. Falun Gong certainly doesn't qualify in the limited, pernicious sense of the word: It does not coerce obedience, brainwash its members, gouge them for money or compel worship of its founder, Li Hongzhi. It doesn't wear down their egos, then build them up in the new image of the spiritually transformed. Most of the writings of Li Hongzhi, who now lives in the United States, are expressly apolitical. The basic Falun Gong motto, "Truthfulness-Compassion-Forbearance," couldn't be less threatening.

But Falun Gong isn't just about these pleasant generalities. Its specific beliefs about how the body works, how science intersects with spirituality, and the benefits of practicing Falun Gong, are more controversial. Practitioners generally describe Falun Gong as a fusion of traditional Buddhist and Taoist elements, but there is a strong overlay of what -- from a skeptical, outsider's point of view -- reads like pseudo-science. Li Hongzhi's basic text, "Zhuan Falun," frequently claims that modern science has found evidence to support spiritual claims; for instance, that humans have a "third eye" that can be opened through spiritual practice.

He also uses science to make claims about his own spiritual powers.

"I have also been tested, and the detected radiation of the generated gamma rays and thermal neutrons was 80 to 170 times more than normal matter," he writes, though this is a rare moment of self-aggrandizement.

Michael Yang, a Falun Gong practitioner and a medical doctor trained in both Western and Eastern traditions, says that there is no particular obligation of any practitioner to believe everything in precisely the same way. As a psychiatric resident with Thomas Jefferson University in Philadelphia, he says he has seen the benefits of Falun Gong with patients. But he has also heard the caricatures of Falun Gong from its critics.

"Aliens, supernormal abilities," says Yang, a bit wearily. "I don't need to defend [Li Hongzhi] for that."

Conversations with several Falun Gong members suggest that a spectrum of belief -- that some people believe after a fashion and others just believe -- is perfectly acceptable within Falun Gong. That means, even though it is not considered a religion, that faith in Falun Gong is a lot like faith in any other spiritual system. Part of the challenge is figuring out one's personal relationship to the miraculous, the unlikely and the irrational.

As for the popularity of Falun Gong among some intellectuals and scientists, Robert Oxnam, a former president of the Asia Society, speculates that the desire to join the Falun Gong movement -- to be part of one of the most serious challenges to China's authority since the protests of Tiananmen Square -- may help override doubts about the particulars of practice.

"It is a little bit like what happened in the 1960s in the United States," he says. People signed on to movements and worried about the full implications of it all afterward.

As for the Chinese government, its motivations for the repression are equally multifaceted. Two theories are generally advanced. One is about numbers, the other is about history.

The numbers theory says that any group that grows too large -- at its height, Falun Gong claims it had 70 million to 100 million believers -- in China will be swatted down. At the mock trial, a witness argues that Jiang was petty and jealous, that he "felt threatened by the ability of [Falun Gong] practitioners to gather in such large numbers."

The history argument makes a parallel between Falun Gong and the Boxer and Taiping rebellions in 19th-century China. Both had spiritual, mystical components. According to scholar Frank K. Flinn of Washington University in St. Louis, the "Chinese authorities have never underestimated the power of the religious component to motivate the masses."

Both the numbers and the history argument may have truth to them. But there seems more to it, something about Falun Gong that suggests a "perfect storm" argument as well. Falun Gong was introduced to the public in 1992 when China was suffering the ups and downs of moving towards a more capitalist system. Old social safety nets were becoming frayed. The Internet soon made it easy to spread new ideas. And Falun Gong dealt with old spiritual crises -- such as envy and resentment -- that had taken on new meaning as economic inequity became more pervasive.

Li Hongzhi's writing also suggests a mechanics of moral exchange that makes Falun Gong particularly resilient. Virtue, he says, is a material white substance that surrounds the body like an energy field in another dimension. Virtue can be exchanged, almost like a commodity.

"While one person is here swearing, with this swearing, a piece of virtue from his own dimensional field leaves and goes to the other person," he writes. "The more he swears at him, the more virtue he gives him."

In Christianity, the meek will inherit the Earth, but who knows when, and in what fashion. With Falun Gong, the meek are constantly racking up the virtue lost by those who oppress them; suffering replenishes them.

Around 11 a.m. yesterday, before the mock trial began, a little breeze came over the Capitol lawn, a short burst of music sounded from a loudspeaker, and suddenly a crowd that had been milling around, standing for pictures, distributing signs, was quiet. From hubbub, silence and as if on cue, people were seated, hands together, faces serene.

There's something uncanny about large groups of people doing things in precise, orderly ways. Falun Gong may have terrified the Chinese government not so much because of an explicit threat to its control but because it moved and operated by mysterious, immanent principles that mystified officialdom.

Those principles would probably mystify the U.S. politicians who have signed on to the defense of Falun Gong over the years, and the tourists who stop by the edges of the protest meeting yesterday. But, here, under the shadow of the Capitol, the people's right to do mystifying things is not being abridged. And the more mystifying those things are, the more impressive that right is.

Castro's Foes Feted By French (WTimes)

By Tom Carter

The Washington Times, July 23, 2003

The French Embassy in Havana recently put liberty, equality and fraternity on display by inviting Fidel Castro's political opponents to eat canapes and drink vintage Bordeaux at its annual Bastille Day soiree.

"The dissidents were invited. They came, and they were very happy to be there," said Agnes Vondermuhl, French Embassy spokeswoman in Washington. "They were satisfied."

The invitations to the dissidents this year were part of an effort by EU nations to protest the Cuban government's recent crackdown on dissidents.

In March, Cuba arrested 75 opposition figures and sentenced them to as long as 28 years in prison.

The Cuban government found dissidents guilty of treason after the U.S. Embassy began a concerted effort in the fall to invite Mr. Castro's opposition to the U.S. Interest Section in Havana for parties and other functions.

According to press accounts and French officials, some of Cuba's more prominent opposition figures, including Oswaldo Paya and Elizardo Sanchez, attended the Bastille Day party.

"The majority of my colleagues and myself are going to attend this celebration, not with an attitude of defiance toward the government but defending our essential right to accept any invitation we receive on civilized terms," Mr. Sanchez, head of the Cuban Commission on Human Rights and National Reconciliation, told the Associated Press as he entered the embassy.

On July 14, 1789, French peasants stormed the infamous Bastille Prison in Paris and began the French Revolution.

The Bastille Day party is one of the more anticipated social events in Havana each year, attended by hundreds of diplomats, businessmen and Cuban government officials. Mr. Castro has attended some past celebrations.

This year, dour-looking Cuban government officials showed up at the ambassador's residence and returned their invitations before leaving.

It was suggested by several that it was not safe for government officials to break baguette with the French this year.

After Cuba's crackdown on dissent, the European Union's relationship with the communist-ruled island has been in a downward spiral.

On June 5, the European Union made a declaration regarding the crackdown.

"Following the recent deplorable actions of the Cuban authorities ... the EU has unanimously decided to: Limit the bilateral high-level governmental visits; reduce the profile of member states' participation in cultural events; invite Cuban dissidents at national day celebrations; [and] proceed to the re-evaluation of the EU common position.

And French and Spanish embassy officials said the European Union sent a memo to its member embassies in Havana directing them to invite dissidents to their functions.

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DEPARTMENT OF JUSTICE *NEWS CLIPS*

PREPARED FOR THE OFFICE OF PUBLIC AFFAIRS, US DEPARTMENT OF JUSTICE

TO: THE ATTORNEY GENERAL AND SENIOR STAFF

DATE: WEDNESDAY, JULY 23, 2003, 7:45 AM EDT

TODAY'S EDITION

Terrorism News:

Judge Dismisses Main Charges Of Terrorism Against Lawyer (WSJournal).....	3
Major Terror Charges Dropped For Lawyer (WPost).....	4
Judge Dismisses Two Top Counts In Terror Indictment (AP).....	5
Judge Dismisses Two Charges Against Cleric's Lawyer (Reuters).....	5
Judge Narrows Charges Against Lynne Stewart (NY Law Journal).....	6
FBI Eyes Evidence To Extradite Muslim Cleric (WTimes).....	7
Death Penalty Ruled Out For British Detainees (NYTimes).....	8
Two Britons At Guantanamo Will Not Face The Death Penalty (WPost).....	8
US Assures Britain on Guantanamo Detainees (Reuters).....	9

Homeland Response:

Ashcroft Gives 'Pep Talk' In Seattle (Seattle P-I).....	10
Attorney General Praises NW Law Enforcers (AP).....	11
Ashcroft Cheers Terror War Victories (Tacoma News Tribune).....	11
Toughen Patriot Act, Attorney General Says (Anchorage Daily News).....	12
Middle East Immigrants Scarce At Ashcroft Protest (Seattle Times).....	13
Ashcroft, Ujaama: The Boys Are Back In Town (Seattle P-I).....	14
House Takes Aim at Patriot Act Secret Searches (Reuters).....	16
Maria's Owner Offers Petition To McInnis (Durango Herald).....	16
Ashcroft Gets Bad Rap (WT).....	17
Being John Ashcroft (Boulder Daily Camera).....	18
Patriot Act Excess (Albany Times-Union).....	19
Violating Civil Rights Undercuts Our Cause (Daily Astorian).....	19
Justice And The Suspects (SF Chronicle).....	20
Report On 9/11 Cites Numerous Missed Clues (WSJournal).....	20
9/11 Report: No Evidence Of Critical Mistakes (LATimes).....	21
9/11 Hijackers' San Diego Contacts Detailed By Lawmakers' Report (WPost).....	23
Weapons Of Mass Redaction (NYTimes).....	24
Senate Rejects Bid To Boost Homeland Security Funding (WPost).....	25
Senate Holds Line On Domestic Security Bill (NYTimes).....	25
Tighter Cargo Security Proposed (WPost).....	26
Screening Will Be Thorough (USAT).....	27

Visa Fixes Fall Short (USAT).....	27
Putting Out Fires And Keeping The Peace (NYTimes).....	28

War News:

Hussein's Two Sons Are Killed In Firefight With US Troops (WSJournal).....	28
US Kills Hussein's Sons In Firefight At Mansion (LATimes).....	30
Elimination Of Infamous Duo May Help Stabilize Iraq (HOU).....	32
Saddam's Sons Killed In Iraq Gun Battle (FT).....	34
A Major Strike At Hussein's Inner Circle (CSM).....	35
US Lowered Its Sights In Iraq Search (WPost).....	36
Hussein's 2 Sons Dead In Shootout, US Says (NYTimes).....	37
With Hussein's Heirs Gone, Hopes Rise For End To Attacks (NYTimes).....	39
The Ruthless Excesses Of A 'Wolf' And 'Snake' (WPost).....	40
Sons Followed Father's Cruel Path (USAT).....	41
For Brutality, Hussein's Sons Exceeded Even Their Father (NYTimes).....	42
Sons Of The Father (WPost).....	44
Sons' Deaths A Turning Point In Campaign (LATimes).....	45
President On Defensive Gets A Welcome Boost (WPost).....	46
Saddam's Sons Killed (AJC).....	48
What The Hussein Brothers' Deaths Mean For Iraq (Time).....	49
When Uday And Qusay Didn't Give Up, Bullets Started Flying (USAT).....	50
Hussein's Two Sons Killed In Firefight With US Troops (WPost).....	52
Saddam's Sons Dead (WTimes).....	54
The Plush But Always Perilous Lives Of The Dictator's Three Daughters (WPost).....	56
The Brothers Grim (NYTimes).....	57
A Good Day In Iraq (WPost).....	58
Death Of Saddam's Sons Deals Iraqis A Better Hand (USAT).....	58
Quagmire? (WSJournal).....	59
The End of the Crown Princes (Newsweek).....	60
Bush Aide Takes Blame On Speech (USAT).....	61
Bush Aides Disclose Warnings From CIA (WPost).....	62
National Security Aide Says He's To Blame For Speech Error (NYTimes).....	64
CIA Memos On Uranium Fell Through The Cracks (WSJournal).....	64
Blame For Nuke Nuclear Reference Shared (HOU).....	65

2nd Key Aide Apologizes For Uranium Claim (DMN).....	66	NYSE Seeks End To Trader Case; Firms Dismiss Idea Of Settlement (WSJournal).....	101
Iraqi Rebels Savor Problems Of Bush, Blair (WTimes).....	67	SEC Reviews Exchange Regulation (FT).....	102
Cheney's Intelligence Role Scrutinized (Denver Post).....	68	Funds May Have To Tell More (WSJournal).....	103
Some Democrats Think Intel Ranking Member Isn't Team Player (Roll Call).....	71	ImClone Founder Due at Federal Prison (AP).....	104
Durbin Accuses White House Of Intimidation (Roll Call).....	72	Criminal Law:	
Blair Denies Authorizing The Leaking Of Inspector's Name (NYTimes).....	75	A Clash of Cultures (NLJ).....	104
Blair Denies Authorizing Leak Of Kelly's Name (FT).....	75	Ashcroft Unfairly Forces States To Embrace The Death Penalty (Omaha World-Herald).....	106
The BBC Must Not Be A Casualty Of War (FT).....	75	Jury's Verdict In Death Reversed (WPost).....	107
Uneasy Statesmen And Spy Alliance (FT).....	76	Probe Sought Of Westar Donations (Wichita Eagle).....	108
Parallel Universes (WPost).....	77	Boeing Rocket Executive Is Focus Of US Military-Contract Probe (WSJournal).....	109
Weary Brigade Told It'll Leave Iraq (AJC).....	78	Victims Protest Lack Of Prosecution Of Church Officials (AP)	110
Members Of Iraqi Political Council Seek Help At UN (WPost)....	79	Virginia Executes Man For '97 Death (WPost).....	111
Iraq's Governing Council Gains Support At UN (NYTimes).....	80	Movie Firms To Run Ads Targeting Internet Pirates (WPost)...	111
Delegates Vow Iraqis Won't Let Tyranny Return (WTimes).....	81	Authorities Investigating Toe Found By Cadaver Dog (AP).....	112
Coalition Curbs Wild Iraqi Press (CSM).....	82	Civil Law:	
US Shuttles Newspaper In Baghdad (WPost).....	83	Judge Won't Dismiss Suit Against FEC (AP).....	113
US To Set Up Iraq Bank (WPost).....	84	Morning Business (Roll Call).....	113
Jessica Lynch Returns Home Months After POW Ordeal (WSJournal / AP).....	84	Civil Rights:	
Thousands Greet Pfc Lynch On Her Return To West Virginia (NYTimes).....	85	Detroit Cop Reform Launched (Detroit News).....	114
Justice Still Unserved In Rebuilding (Marin Independent Journal).....	86	Detroit Council Questions Police Monitor (DFP).....	115
DOJ:		Biased Justice Report Slammed Training Schools, Lawmaker Says (AP).....	115
A Few Too Many Zeroes (WPost).....	87	'Peace Ambassadors' Walk Inglewood Before Police Trial Verdict (AP).....	115
Corporate Scandals:		Obscenity Law In Ohio Targeted By Lawyer (WTimes).....	115
Corporate Fraud War: 'High Marks' (AP).....	88	Antitrust:	
Bush Administration Touts Corporate Crime Record (AFX).....	89	House Media Vote Signals A Fight Over Ownership (WSJournal).....	116
Feds Step Up Corporate Prosecutions (UPI).....	90	Republicans Are Adding Weight To Reversal Of FCC Media Rule (NYTimes).....	117
Feds Boast of Corporate Fraud Crackdown (Reuters).....	90	House May Block Part Of FCC's Media Plan (WPost).....	118
White House Praises Fraud Task Force (FT).....	91	'Big' Isn't 'Bad' (WSJournal).....	119
Corporate Fraud Task Forces Says Its Restoring Confidence (Dow Jones).....	91	Watchdog Asks Justice Dept To Block Oracle (CNETNews)....	120
Justice Dept Asks For OFHEO's Help On Freddie Mac (Dow Jones).....	92	Dana Board Rejects ArvinMeritor Offer (AP).....	121
Freddie Mac Finance Chief In Admission (FT).....	92	Dana Unlikely To Reconsider ArvinMeritor Bid (FT).....	122
Freddie Mac Probe May Focus Much Of Blame On Ex- President (WSJournal).....	92	ArvinMeritor: Committed To Acquiring Dana Corp (Dow Jones)	122
GSE Regulatory-Legislation Momentum Grows In US Congress (WSJournal).....	93	Lehman Bros Plans To Pay \$2.6b For Neuberger (USAT).....	123
Fincl Services Roundtable Backs Shifting OFHEO To US Tsy (WSJournal).....	94	Lehman To Buy Neuberger In Deal Worth \$2.6 Billion (NYTimes).....	124
US-Securities Funds May Get Limits On What They Can Hold (WSJournal).....	94	Lehman Brothers Moves From Prey To Hunter (WSJournal)...	125
Federal Housing Nominee Criticized (WPost).....	95	Private Equity Deals Are Again The Talk Of Europe (NYTimes)	126
WorldCom Director Assails Firm's Critics (WPost).....	96	Roche Holding Talks To Purchase Igen (WPost).....	128
3 Rent-Way Executives Plead Guilty (WPost).....	97	EU May Opt For Extended Probe Of Alcan Bid For Pechiney (Dow Jones).....	128
Former Rent-Way Executives Plead Guilty (AP).....	98	Environment:	
Former Rite Aid Lawyer to Stand Trial (AP).....	98	Corps Held in Contempt Over Mo River Flap (AP).....	130
Long-Term Capital Case Puts Tax Shelters On Trial (WPost)....	98		
States' Role In Doubt On Wall Street (WPost).....	100		
Wall Street And The States (WPost).....	101		

Judge Finds Corps In Contempt In Case Involving Missouri River (Knight Ridder).....	130	Report Challenges Medicare Reform Bills (WPost).....	152
Looking For Common Sense (Council Bluffs Nonpareil).....	131	Medicare Bills Exceed Bush Spending Limit (AP).....	153
Babbitt Faults Norton Policies (Sacramento Bee).....	132	Report: Boxing Rules Too Inconsistent (AP).....	154
Developer Loses Endangered Toad Case (AP).....	133	Push Stalls For Low-Income Tax Fix (WSJournal).....	155
FBI/DEA/ATF:		Compromise To Expand Child Tax Credit Pursued (WPost)....	156
FBI Men Allege Retaliation for Testimony (AP).....	133	Deal Offered On Child Tax Credit (NYTimes).....	156
The FBI's Least Wanted (LATimes).....	134	GOP Leaders, Conservatives Split On Balanced-Budget Amendment (The Hill).....	157
Reputed Miami Drug Kingpin Gets 20 Years (AP).....	136	Needed: A Deficit Lecture, Perot-Style (WPost).....	158
Fresno Chamber Chief Arrested On Drug Charge (LATimes) ..	136	Butting Heads With The Pentagon (NYTimes).....	159
Expert Panel Finds Flaws In Diet Pill Safety Study (NYTimes)	137	Credit Card Industry Steps Up Lobbying (Roll Call).....	161
GAO Links Ephedra With Serious Side Effects (WPost).....	139	Other News:	
House Takes Aim At Ephedra (Copley).....	140	Powell Endorses Liberian Peacekeeping Role (WPost).....	163
Gun Shop's New Operator Gets License (Seattle Times).....	141	White House Remains Noncommittal On Troops For Liberia (NYTimes).....	164
Immigration:		Powell Says US Should Not 'Look Away' From Liberian Plight (WTimes).....	164
Michigan To Test US Plan To Tether Immigrants In Attempt To Ease Crowding In Jail (DFP).....	142	Ex-Members In Liberia (Roll Call).....	165
Ex-Norfolk Airport Worker Fined In Immigration Case (Virginian-Pilot).....	142	Liberian Says He'll Leave In 10 Days; Fighting Eases (NYTimes).....	167
Inside Politics (WTimes).....	143	Rebels Agree To Cease-Fire; Foreigners Leave Monrovia (WSJournal / AP).....	168
One Town's Struggle To Accept Immigrants (CSM).....	145	Liberia's Rebel Leaders Call For Cease-Fire; Deaths Climb (LATimes).....	169
Tax:		11 Nations Join Plan To Stop N Korean Ships (USAT).....	170
Lawyer Barred From Selling Tax Schemes (LAT).....	146	It's Either Nukes Or Negotiation (WPost).....	171
Feds Sue Quakers To Recoup 42g In Taxes, Interest Owed By Aide (Philadelphia Daily News).....	147	Numbers Add Up To Fall Recall Election (LATimes).....	172
IRS Targets Metro Muffler Shop (Denver Post).....	147	Gov Davis Comes Out Fighting In Round 2 Of Recall Campaign (WPost).....	174
Abolish The Income Tax And The IRS (WSJournal).....	148	Backer Of California Recall Feels Heat Directed At Him (NYTimes).....	175
Congress-Administration:		Attorney Clears Hurdle in Defamation Action Against ABA (Legal Intelligencer).....	177
Schumer Strikes Deal To Fill Every Federal Judge Slot In State (AP).....	149	Falun Gong Convenes At Capitol (WTimes).....	178
An Extremist Judicial Nominee (NYTimes).....	149	China's Spiritual Outlaws (WPost).....	179
Medicare Bills' Price Tags Top The \$400 Billion Cap (WSJournal).....	150	Castro's Foes Feted By French (WTimes).....	180
Medicare Bills' Costs Exceed Bush Limit (LATimes).....	151		
Fewer Retirees Get Drug Coverage From Employers (NYTimes)	151		

TERRORISM NEWS:

Judge Dismisses Main Charges Of Terrorism Against Lawyer (WSJournal)

The Wall Street Journal, July 23, 2003

NEW YORK -- A judge dismissed the two main terror counts against a civil rights lawyer and her co-defendants Tuesday, saying charges they conspired to support a terrorism organization were unconstitutionally vague.

U.S. District Judge John G. Koeltl left intact charges that attorney Lynne Stewart and the others conspired to defraud the U.S. and that Ms. Stewart made false statements.

"It certainly is a great relief," Ms. Stewart said of the ruling. "It's also wonderful to know that the case maybe has opened a way for the use of this law to be circumscribed, curtailed a little bit."

U.S. Attorney James B. Comey said in a statement that he still believes the 1996 law prohibiting material support for terrorism is constitutional, and that an appeal is possible.

Ms. Stewart, who hasn't been jailed, was charged last year with helping deliver messages from her client, Sheik Omar Abdel-Rahman, who is serving a life sentence for conspiring to blow up New York City landmarks and assassinate Egyptian President Hosni Mubarak.

Prosecutors say she and co-defendants Mohammed Yousry, an Arabic translator, and Ahmed Abdel Sattar, a U.S. postal worker, helped relay messages from the blind Egyptian cleric to the Islamic Group, a radical terrorist group based in Egypt. According to an indictment, they conspired to provide communications equipment, personnel, currency, financial securities and financial services to the Islamic Group.

All three pleaded innocent.

The judge didn't attempt to strike down the 1996 anti-terrorism law, but said the defendants were correct to argue against a prosecution based on the mere use of telephones and other means of communication.

The law was passed after a series of terrorist attacks world-wide against U.S. interests. The defendants had argued that the statute doesn't outlaw "simply making a phone call or similarly communicating one's thoughts," the judge noted.

The charges came after the federal government imposed special administrative measures restricting the sheik's access to mail, the telephone and visitors and prohibiting him from speaking with the media. The fraud charge remaining against the three accuses them of trying to circumvent those measures. In the false statement charge remaining against Ms. Stewart, she is accused of lying when she promised the government that she wouldn't use her meetings with the sheik to pass messages between him and third parties.

Prosecutors accused Ms. Stewart of letting Mr. Yousry read letters from Mr. Sattar and others regarding Islamic Group matters to the sheik and to discuss during a May 2000 meeting whether the organization should continue to comply with a cease-fire. They said Ms. Stewart tried to conceal the discussions from prison guards and violated the law when she announced to the media that the sheik had withdrawn his support for the cease-fire, which had been in effect since 1998.

Major Terror Charges Dropped For Lawyer (WPost)

By Michael Powell and Christine Haughney

The Washington Post, July 23, 2003

NEW YORK, July 22 -- A federal judge tossed out two major terrorism charges today against a prominent attorney for radicals, saying the charges were unconstitutionally vague and "reveal a lack of prosecutorial standards."

U.S. District Judge John G. Koeltl issued a 77-page ruling that left standing some accusations against Lynne Stewart, but threw out the two most serious charges in the grand jury indictment against her.

Prosecutors had accused Stewart, 62, of passing messages between her client, the imprisoned Sheik Omar Abdel Rahman and an Egyptian terrorist organization. Rahman, a blind Muslim cleric, is serving a life sentence for conspiring to blow up the World Trade Center and the United Nations, among other New York landmarks.

Koeltl wrote that prosecutors had taken too expansive a reading of federal laws that prohibit conspiring to provide material support to a foreign terrorist organization, adding that the indictment in this case threatened to criminalize the "mere use" of telephones. He wrote that the government appeared to define defense lawyers in this case as "quasi employees" of their clients and therefore subject to criminal prosecution.

"The government's evolving definition," Koeltl wrote, "reveals a lack of prosecutorial standards that would permit a standardless sweep that allows policemen, prosecutors and juries to pursue their personal predilections."

Stewart said she was relieved to escape the shadow of a possible 40-year jail sentence. "Getting rid of the terror word is a big win," she said. "The judge upheld my right to speak up for a client."

The government has used the once obscure material support for terror charge more frequently since the Sept. 11, 2001, attacks, employing the 1996 statute with varying degrees of success, against alleged terrorist cells in Lackawanna, N.Y., Seattle and Detroit, as well as against John Walker Lindh, who ultimately pleaded guilty to other charges of aiding the Taliban.

It was unclear how far Koeltl's ruling goes, in challenging the material support law or in giving defense lawyers a foothold to attack the law elsewhere. Koeltl found the material support law unconstitutional as prosecutors applied it. But he also wrote that the law had "plainly legitimate applications," such as prohibiting people from providing false documents, money and explosives to a terrorist organization.

Mark Corallo, a Justice Department spokesman, said last night that lawyers are still reviewing the ruling. He said they believe the judge has not thrown out the material support statute altogether, but instead has simply ruled that its application in this case is unconstitutional. Separately, a spokesman for the U.S. prosecutor in Manhattan released a statement saying they still believe the law is constitutional and are considering appeals.

The ruling pleased those who see prosecutors' application of the "material support" statutes since the Sept. 11 attacks as too aggressive and broad. Neal R. Sonnett, a former federal prosecutor and now chairman of the American Bar Association's task force on treatment of enemy combatants, said:

"The indictment of Lynne Stewart, I thought, was a very unfair attack on lawyering. This judge's ruling . . . upholds zealous advocacy and does not indict a lawyer for lawyering and being a lawyer."

The question is whether Stewart went further than that. A former librarian who had defended a Who's Who of radicals in the past two decades, she was accused of trying to trick prison guards during her visits to Rahman's cell in Rochester, Minn. They alleged she spoke legalese while Mohammed Yousry, an Arabic interpreter who was also indicted, spoke of Islamic revolution.

Koeltl also threw out similar charges against Yousry. However, he left standing charges that Stewart and Yousry conspired to defraud the United States and that Stewart made false statements.

Judge Dismisses Two Top Counts In Terror Indictment (AP)

By Larry Neumeister

The Associated Press, July 22, 2003

NEW YORK (AP) - A judge dismissed the two main terror counts against a civil rights lawyer and a translator Tuesday, saying charges they conspired to support a terrorism organization were unconstitutionally vague.

U.S. District Judge John G. Koeltl left intact charges that attorney Lynne Stewart and two others conspired to defraud the United States and that Stewart made false statements.

"I'm relieved and elated," Stewart said. She declined to comment further until she had read the decision.

Stewart was charged last year with helping deliver messages from her client, Sheik Omar Abdel-Rahman, who is serving a life sentence for conspiring to blow up New York City landmarks and assassinate Egyptian President Hosni Mubarak.

When Attorney General John Ashcroft announced the indictment last year, he said Stewart illegally aided Abdel-Rahman, during a visit with him at the federal prison in Rochester, Minn., in May 2000. Abdel-Rahman has since been transferred from the prison hospital.

Prosecutors say she and co-defendants Mohammed Yousry, an Arabic translator, and Ahmed Abdel Sattar, a U.S. postal worker, helped relay messages from the blind Egyptian cleric to the Islamic Group, a radical Egyptian-based terrorist group.

All three have pleaded innocent.

The judge said the defendants were correct to argue that a law outlawing the mere use of phones and other means of communication without specifying what is illegal was unconstitutionally vague.

A spokesman for U.S. Attorney James B. Comey said the prosecutor had no immediate comment.

Tuesday's ruling followed a hearing where defense lawyer Michael E. Tigar had asked the judge to toss out the entire indictment against Stewart.

Judge Dismisses Two Charges Against Cleric's Lawyer (Reuters)

By Paul Thomasch

Reuters, July 22, 2003

NEW YORK, July 22 (Reuters) - A federal judge on Tuesday threw out two criminal charges against a defense attorney accused of helping a militant Islamic cleric communicate from prison with a group said by the U.S. government to be a terrorist organization.

U.S. District Judge John Koeltl said that two charges brought against Lynne Stewart and her co-defendants were "unconstitutionally vague" in a 77-page ruling that left intact several other charges outlined in the grand jury indictment.

Stewart, a defense attorney, represented Sheik Omar Abdel-Rahman at the 1995 trial in which he was convicted of plotting a "war of urban terrorism" that included the 1993 World Trade Center bombing.

The U.S. attorney's office has accused her of helping Abdel-Rahman communicate from prison with an organization the U.S. government deems a terrorist group, the Egyptian-based Islamic Group.

Stewart has denied wrongdoing, and the case has drawn widespread attention from other defense attorneys who fear it could pose a threat to lawyers who represent unpopular clients.

The ruling by Judge Koeltl throws out the first two counts of the indictment against Stewart, both of which center on providing, or conspiring to provide, material support to a foreign terrorist organization.

Those charges were also dismissed against other defendants in the case, including Ahmed Abdel Sattar, a top aide to Abdel-Rahman, and Mohammed Yousry, an Arabic interpreter, and Yassir Al-Sirri, who did not participate in the motion.

The U.S. attorney's office said it is reviewing its appellate options

Stewart, Sattar and Yousry still face charges of conspiring to defraud the United States. Stewart has also been charged with making false statements, while Sattar and Al-Sirri are accused of soliciting people to undertake crimes of violence.

The judge denied motions to have those charges dismissed.

In last year's indictment, prosecutors said Stewart violated a special order obtained by the Justice Department under which Abdel-Rahman was supposed to have limited contact with the outside world and conversations with his lawyer and staff were supposed to be limited to legal matters.

Stewart's attorney was not immediately available for comment.

Judge Narrows Charges Against Lynne Stewart (NY Law Journal)

By Mark Hamblett

The New York Law Journal, July 23, 2003

Defense lawyer Lynne Stewart scored a victory Monday when a federal judge dismissed charges that she provided material support to a terrorist group. Southern District Judge John G. Koeltl agreed with defense lawyers that the federal statute forbidding the provision of material support or resources to a designated terrorist group, 18. U.S.C. §2339B, was unconstitutionally vague as applied to Stewart and her co-defendants.

The judge in *United States v. Sattar*, 02 Cr. 395, also dismissed a conspiracy count based on that same law, leaving Stewart facing the two least-serious charges leveled against her in an indictment issued last year: making false statements and conspiring to defraud the government.

Stewart and three others were charged with helping convicted terrorist conspirator Sheikh Omar Abdel Rahman maintain contact with the outlaw terror organization Islamic Group from behind the bars of a federal prison. Stewart had represented Sheikh Abdel Rahman at his 1995 trial for seditious conspiracy to commit terror attacks in New York City, and continued to visit him after he was incarcerated.

The indictment accused her and co-defendants Ahmed Abdel Sattar, Yassir Al-Sirri and Mohammed Yousry with staffing a "communications pipeline" between the sheikh and the Islamic Group, an organization that had claimed credit for the massacre of 62 people at an archeological site in Luxor, Egypt, in 1997. The Islamic Group had a tentative cease-fire with the Egyptian government in which it was refraining from terrorist attacks, and Stewart and her co-defendants were accused of communicating Sheikh Abdel Rahman's withdrawal of support for the truce.

On the material support for terrorism, Stewart was accused of providing "communications equipment" and "personnel" to the Islamic Group in violation of §2339B.

However, Stewart's lawyer Michael Tigar and Kenneth Paul, the lawyer for Sattar, argued that the law criminalized innocent behavior.

"The defendants are correct and by criminalizing the mere use of phones and other means of communication the statute provides neither notice nor standards for its application such that it is unconstitutionally vague as applied," Koeltl said. "A criminal defendant simply could not be expected to know that the conduct alleged was prohibited by the statute."

Tigar also argued that it put Stewart in an untenable position as a lawyer for Sheikh Abdel Rahman, an opinion Koeltl appeared to embrace. "The Government accuses Stewart of providing personnel, including herself, to [the Islamic Group]," Koeltl said. "In so doing, however, the Government fails to explain how a lawyer, acting as an agent of her client, an alleged leader of an FTO [foreign terrorist organization], could avoid being subject to the criminal prosecution as a 'quasi-employee' allegedly covered by the statute."

Moreover, Koeltl said that the "Government expressed some uncertainty as to whether a lawyer for an FTO would be providing personnel to the FTO before the Government suggested that the answer may depend on whether the lawyer was 'house counsel' or an independent counsel -- distinctions not found in the statute."

Koeltl refused to find the material support for terrorism statute unconstitutionally overbroad, saying its prohibitions are content-neutral and its purposes are "aimed not at speech but at conduct."

Furthermore, the judge rejected a defense request for a ruling that the Islamic Group was improperly designated a foreign terrorist organization, and he declined to find unconstitutional the statute that provides for such a designation.

Koeltl's opinion also dealt with several issues revolving around the Special Administrative Measures imposed on Sheikh Abdel Rahman by the Bureau of Prisons. The measures prevented Abdel Rahman from speaking to the media or communicating with the outside world.

Stewart claimed that restricting her client's right to speak, and her right to speak for him, violated her First Amendment rights, as well as her right to practice as an attorney.

She also challenged an attorney affirmation she signed in May 2000, in which she agreed to "abide" by the terms of the administrative measures. The government claimed she ultimately broke these measures by making extraneous comments to

cover a conversation concerning the Islamic Group between Sheikh Abdel Rahman and the interpreter, Yousry, and when Stewart's made a statement to the media saying the sheikh was "withdrawing his support" for the Islamic Group's cease-fire.

Koeltl agreed with prosecutors.

"The Government argues correctly that Stewart cannot defeat the charges against her by attacking the legality or constitutionality of the statute or requirement that prompted her alleged deceit," Koeltl said. He added that "it is clear that Stewart had avenues of redress within the legal system through which she could challenge the [administrative measures] or the Government's authority to obtain the May affirmation."

While the judge refused to dismiss the false statement and conspiracy to defraud charges against Stewart, he did grant her request for an evidentiary hearing on whether her signing of the affirmation and her conversations with a federal prosecutor about the administrative measures amounted to a non-prosecution agreement. Koeltl also rejected motions to dismiss the third count of the indictment, charging Sattar and Al-Sirri with soliciting persons to engage in crimes of violence.

Finally, he rejected motions made by Stewart and Sattar to sever their trials. Southern District U.S. Attorney James B. Comey said in statement, "We continue to believe that the statute prohibiting material support of terrorism is constitutional, and we are reviewing our appellate options."

Assistant U.S. Attorneys Robin Baker and Christopher Morvillo represented the government.

FBI Eyes Evidence To Extradite Muslim Cleric (WTimes)

By Neil Doyle

The Washington Times, July 23, 2003

LONDON - The FBI is examining evidence from a sting operation mounted against the radical Muslim cleric Abu Hamza al-Masri in Britain to determine whether it bolsters the case for his extradition to the United States on terrorism-related charges.

A cache of secret video and audiotapes was given by al-Masri to a researcher, who infiltrated his group based at the Finsbury Park mosque in London.

One of the tapes includes a documentary in Arabic detailing the engineering methods used in building the World Trade Center's Twin Towers.

Recorded before the September 11 terrorist attacks, the tape also details the construction of the Petronas Twin Towers in Kuala Lumpur, Malaysia, currently the world's tallest structures.

In footage of a meeting of militant Islamists on one of the tapes, a voice can be heard repeatedly shouting in the background: "Brother Atta."

Mohamed Atta was the lead hijacker in the September 11 terrorist attacks.

Several of the hijackers are thought to have visited the United Kingdom in 1999, staying at an address in Wood Green in north London.

Glen Jenvey, 38-year-old British free-lance counterintelligence investigator, was sent the tapes after he set up a fake Web site for al Qaeda supporters.

Mr. Jenvey published militant Islamic propaganda on the site and passed on details of people visiting the site to the FBI. He then contacted al-Masri, who was said to be delighted with the site and sent him several films used for recruitment.

Mr. Jenvey told the London Sunday Times: "I started to suggest I could help him recruit people for his jihad. He got very excited by this.

"He would burble prayers down the phone in an almost demented fashion. I thought he must be a bit mad."

Antiterrorist branch officers at Scotland Yard in London took a statement from Mr. Jenvey in March and sent it to the FBI, which is building a case for the extradition of al-Masri to the United States.

Other material on the tapes shows al-Masri talking at a private meeting about so-called suicide bombers and three Britons being interviewed about their experiences fighting jihad in Bosnia-Herzegovina.

Another of the videos shows him holding a meeting with James Ujaama, who used to oversee al-Masri's Web site in London and has been convicted in the United States of aiding the Taliban.

Ujaama, 37, pleaded guilty in April to conspiring to provide cash, computers and services to the Taliban, the radical Muslim sect that ruled Afghanistan until being ousted by a U.S.-led coalition after the September 11 attacks.

The Seattle Times reported at the time that other charges were dropped under a plea agreement with the Justice Department, in which Ujaama received a two-year prison sentence in exchange for his testimony against al-Masri.

Ujaama has now agreed to testify against al-Masri before a federal grand jury in New York.

Al-Masri, 44, is wanted in the United States as a suspected terrorist and is accused of conspiring with Ujaama to set up a jihad training camp in Bly, Ore.

A spokesman for al-Masri has described the New York grand jury investigation as a joke and a kangaroo court.

British Home Secretary David Blunkett has stripped al-Masri of his United Kingdom citizenship, using powers granted to him under new immigration laws that came into effect in April.

The move has been seen as paving the way for al-Masri's deportation, although his attorneys have filed an appeal against the decision.

He is known for recruiting militant Islamists and for his public praise of Osama bin Laden and the September 2001 attacks. In February, he described the Columbia Space Shuttle disaster as "a punishment from God."

Al-Masri's inflammatory remarks have led to him being barred from preaching at the Finsbury Park mosque by the Charity Commission, the British charities watchdog.

Death Penalty Ruled Out For British Detainees (NYTimes)

By SARAH LYALL

The New York Times, July 23, 2003

LONDON, July 22 - The Bush administration has assured the British government that it will not seek the death penalty for two Britons being held as terrorist suspects at the American naval base in Guantánamo Bay, Cuba, British and American officials said today.

In a statement released in Washington, where he had just concluded several days of discussions about the fate of the two men, Feroz Abbasi and Moazzam Begg, the British attorney general, Lord Goldsmith, said he had made significant progress in efforts to ensure that they be tried fairly.

Mr. Begg, 35, from Birmingham, England, and Mr. Abbasi, 23, from London, were on a list of six detainees identified by President Bush earlier this month as likely to be tried by military tribunals at Guantánamo Bay. The news immediately raised protests in Britain, America's staunchest ally in the war against Iraq, with politicians, civil rights groups and editorial writers accusing the government of Prime Minister Tony Blair of failing to ensure the civil rights of British citizens in the face of American legal proceedings.

Among other things, Lord Goldsmith said today, the Americans have promised that, should the tribunals proceed, the Britons' conversations with their defense lawyers would not be monitored or reviewed by American authorities. In addition, he said, the trials would be open to reporters and subject to security restrictions, and the two men would be allowed to consult British lawyers, even though they would be officially represented by American lawyers.

Lord Goldsmith's statement only referred to the two men, although seven other Britons being held at Guantánamo Bay have been included in his negotiations. In all, 680 prisoners from more than 40 countries are being detained at the naval base, without being charged or tried. The two Britons named so far are thought to be relatively low-level suspects who would most likely be charged with receiving training from Al Qaeda.

The Australian government is conducting separate negotiations with the United States about Australians being held there, one of whom was also on President Bush's list of six.

In Washington, government officials said the death penalty had never been seriously considered in the cases of the two Britons. But the death penalty is illegal in Britain, and even the possibility that such a sentence might be imposed created a huge political problem for the government. Last week, on a visit to Washington, Mr. Blair pressed Mr. Bush on the issue.

Several other issues are still unresolved, including the question of whether the American government would be willing to return British suspects to Britain, rather than trying them in Cuba.

Two Britons At Guantanamo Will Not Face The Death Penalty (WPost)

Official Denies U.S. Is Dealing Out Separate Justice to Favorites

By Bradley Graham and Tania Branigan

The Washington Post, July 23, 2003

The United States assured Britain yesterday that U.S. prosecutors will not seek the death penalty against two British citizens facing possible trial on terrorism charges before military tribunals.

Lord Goldsmith, Britain's attorney general, reported the agreement following a meeting with Pentagon general counsel William J. Haynes II.

The United States has nine Britons in custody among the 680 prisoners from 42 countries being held at Guantanamo Bay, Cuba, in connection with the war in Afghanistan and the campaign against terrorism. Their detention has been a controversial issue in Britain and a source of political difficulty for British Prime Minister Tony Blair.

Blair's government has sought the repatriation of the Britons and, failing that, assurances of fair trials free of the prospect of the death sentence, which is outlawed in Britain. Expressions of concern in Britain rose to new levels this month after President

Bush listed Britons Feroz Abbasi, 23, and Moazzam Begg, 35, among the first six prisoners eligible for military trial as early as this summer.

Pressed personally by Blair, who was in Washington last week, Bush announced that his administration would reconsider whether and under what circumstances to bring before American military tribunals Britons and at least one Australian captured in the Afghanistan war. But the move opens the president to criticism that he is showing favoritism to his allies and not dispensing justice equally in the war on terrorism.

A senior defense official confirmed the decision not to pursue the death penalty for the two Britons but said it reflected a review of the evidence, not a special favor for the British. "In this particular case, the evidence doesn't warrant the death penalty," said the official, who requested anonymity.

Goldsmith also reported "significant progress" in other areas, saying in a statement that U.S. officials had agreed to allow the British defendants to choose their own U.S. civilian lawyers, use British lawyers as consultants and speak confidentially with their attorneys. More contact with families and immediate visits by British officials were also promised, as were public trials, he said.

"These talks were constructive," Goldsmith said. "We are continuing to discuss the possible repatriation of British detainees to the U.K."

But lawyers acting on behalf of the families of Abbasi and Begg said that the talks had achieved little and that most of the points cited by Goldsmith simply restated the rules of the military tribunals.

"It says nothing at all," said Clive Stafford Smith, a British-born lawyer practicing in the United States who has been campaigning for the rights of the Britons at the request of their relatives.

Louise Christian, a British lawyer representing Abbasi's mother, said: "It's no good. It's still a military commission. It's still a trial in front of people who are not independent of the U.S. government."

She pointed out that British lawyers acting as "consultants" would not necessarily be able to see their clients or even the evidence firsthand.

Said Begg's father, Azmat, from his home in Birmingham, England: "This has improved things a little, but not much." He added that he had not expected his son to face the death penalty.

Separate talks underway over the future of a third man assigned for military trial -- Australian citizen David Hicks, 27 -- are due to continue today between administration officials and Australia's minister for justice, Senator Chris Ellison.

The talks have raised concern among some legal experts and representatives of other countries that the treatment of the detainees may rest as much on the relationships of their governments with the United States as on the evidence against them.

"This is going to get incredibly untidy if separate deals are cut," said Eugene Fidell, president of the private National Institute of Military Justice.

"We believe that whatever is being done has to be done on a non-discriminatory basis. That's the rule of law," said Asad Hayauddin, press attaché at the Pakistani Embassy in Washington. "There should be a uniform set of procedures followed."

US Assures Britain on Guantanamo Detainees (Reuters)

Reuters, July 22, 2003

WASHINGTON (Reuters) - The United States has told Britain that it will not seek the death penalty in the case of two Britons held at Guantanamo Bay in Cuba, British Attorney General Lord Goldsmith said in a statement on Tuesday.

At the request of British Prime Minister Tony Blair, the United States last week suspended military court proceedings against the two Britons -- Moazzam Begg, 35, and Feroz Abbasi, 23, who were among suspected al Qaeda members detained in Afghanistan or Pakistan and moved to the U.S. base in Cuba.

Goldsmith's statement, released by the British Embassy in Washington, said the prosecutions of Begg and Abbasi remained suspended but implied that they were expected to resume.

"The prosecution will not seek the death penalty in the cases of Feroz Abbasi and Moazzam Begg," it said.

"Begg and Abbasi will be able to be represented by an appropriately qualified U.S. civilian lawyer of their own choosing, subject to security clearance," it added.

The men's families and other campaigners want much more from the United States, including the repatriation of the detainees for trial in Britain.

Their cases have become one test for what Blair is able to obtain from the United States as a reward for his strong support for the U.S. invasion and occupation of Iraq.

Goldsmith visited Washington on Monday and Tuesday to follow up on Blair's visit last week. He had talks with senior U.S. officials in the Defense Department, State Department, Justice Department and the White House.

He said the United States had also given assurances that a British lawyer could act as consultant to the defense team, that British officials would immediately receive further access to the men and that the United States will look at ways to give relatives more contact with British detainees at Guantanamo.

U.S. authorities will not monitor contacts between the two British detainees and their lawyers and any trial would be open, subject to necessary security restrictions, he added.

Britain and the United States will "actively consider" arrangements to enable convicted British prisoners to serve their sentences in Britain, he said.

"These and other issues relating to U.K. concerns about the fairness of trial in the Military Commissions needed further discussion. I agreed that I would return shortly to Washington for further discussions," the statement added.

The United States is holding more than 600 people from 42 nations as prisoners at the special camp at the Guantanamo Bay naval base. The prisoners include nationals from Britain, Australia, Saudi Arabia, Pakistan and Afghanistan but the U.S. military has not given a precise breakdown.

The two Britons were part of a first group of six suspects Washington had said it would try in military courts.

HOMELAND RESPONSE:

Ashcroft Gives 'Pep Talk' In Seattle (Seattle P-I)

Attorney general praises state, local leaders' efforts to fight terrorism

By Paul Shukovsky

The Seattle Post-Intelligencer, July 23, 2003

U.S. Attorney General John Ashcroft traveled to Seattle yesterday to praise and encourage regional leaders in the war on terrorism.

In early-morning meetings with federal, state and local law enforcement chiefs from around the state, Ashcroft gave what U.S. Attorney John McKay of Seattle called a "strong pep talk that was well-received."

McKay said the attorney general did not carry news of any new federal dollars for people or equipment for the agencies that Ashcroft praised in a news conference yesterday at Coast Guard headquarters.

"American citizens are safer, and our liberties are more secure," Ashcroft said in lauding the work of the state anti-terrorism task force.

But McKay said that having Ashcroft meet reporters on an Elliott Bay dock "was eye-opening for him to see the port and its vulnerability."

However, Ashcroft did not answer when he was asked about the growing budget deficit's effect on funding internal security measures such as bringing the number of FBI agents in Washington up to the per-capita average of other states.

Rather, he spoke in general terms about what he characterized as the administration's successes in the war on terrorism. He congratulated local agents and prosecutors for their work in convicting accused al-Qaida terror-camp manager James Ujaama. Ujaama recently pleaded guilty to reduced charges in return for his providing testimony and cooperation to the government in other terrorism-related cases.

About 45 demonstrators gathered in front of the Coast Guard's Pier 36 headquarters on Alaskan Way South as a woman bearing a bullhorn proclaimed: "Before he (Ashcroft) became attorney general, he ran for office against a dead man and lost," in apparent reference to Ashcroft's candidacy for the U.S. Senate from Missouri.

The demonstrators carried signs such as one reading: "Defend civil liberties, repeal the Patriot Act."

Jane Cutter set aside her bullhorn to explain that Ashcroft "is targeting immigrant communities. If they can do it to them, they can do it to you. Your rights are next."

Ashcroft defended the Patriot Act against criticism that it diminishes civil liberties. He said such criticisms are based on misunderstandings of the law. Ashcroft said the law provides federal investigators battling terrorism some of the same tools available to them in fighting such crimes as drug trafficking.

And he said that the Justice Department is exploring a legislative refinement of the Patriot Act to give federal agents even more tools to track terrorists. For example, he said that agents should be able to use administrative subpoenas to gain information about terrorist targets. Such subpoenas are currently used by the FBI to obtain records of things like toll phone calls and bank accounts.

Among the anti-terrorism officials present was Maj. Gen. Timothy Lowenberg, adjutant general of the state National Guard. Lowenberg, who is also a lawyer, said Ashcroft made a good point in noting that the Patriot Act takes well-established components of criminal law and applies them to the war on terrorism.

Asked if he is concerned that the Patriot Act diminished civil liberties, Lowenberg deferred to Congress, saying federal legislators "are the ones that should be holding hearings and taking testimony to ensure the balance struck is appropriate."

Attorney General Praises NW Law Enforcers (AP)

The Seattle Times/Associated Press, July 22, 2003

SEATTLE - Attorney General John Ashcroft praised Northwest law enforcement agencies in a visit today to Seattle.

He spoke at a Coast Guard pier with a cutter and gunboat in the background.

Outside the base, about two dozen demonstrators protested his visit. Some carried signs reading, "Defend civil liberties, repeal the Patriot Act."

In his speech, Ashcroft defended the act for "taking down the wall" between intelligence gatherers and law enforcement agencies to improve security.

Ashcroft also mentioned a couple of anti-terrorism successes in Washington: The arrest of "millennium bomber" Ahmed Ressaam, who was apprehended by Customs officials in Port Angeles while trying to enter from Canada in a car full of explosives in December 1999, and the plea bargain in which James Ujaama pleaded guilty in Seattle to conspiring to help the Taliban and agreed to testify against others.

Ashcroft visited Seattle during a swing through the Northwest to meet with an anti-terrorism task force. He said Washington faces "every challenge to security" because of its international border and coastline.

Ashcroft Cheers Terror War Victories (Tacoma News Tribune)

By Jason Hagey

The Tacoma (WA) News Tribune, July 23, 2003

U.S. Attorney General John Ashcroft delivered an upbeat progress report Tuesday on the fight against terrorism during a stop in Seattle to meet with members of Washington's antiterrorism task force.

Since the Sept. 11, 2001, attacks, law enforcement agencies have dramatically improved communication with each other, Ashcroft said during a press conference at a Coast Guard pier along the Seattle waterfront.

The result, he said, is the dismantling of terrorist cells worldwide, the seizure of millions of dollars worth of assets and hundreds of arrests.

Terrorists, he said, "have heard and felt the united power of American justice."

But law enforcement officers still need more tools, Ashcroft said, including some of the same subpoena powers already available in the war on drugs. And Washington state, with its international border and vast coastline, remains particularly vulnerable.

"It's important that we do well here," he said.

Ashcroft is the first Cabinet member to visit the region this week. Homeland Security Secretary Tom Ridge is scheduled to tour the area Thursday.

Outside the Coast Guard building, about two dozen demonstrators carried signs saying "Ashcroft Sabotages Rights" and "Civil Liberties, Bring 'em On."

The protesters said they object to the USA Patriot Act, the federal law passed in the wake of the terrorist attacks that expanded the government's surveillance and detention powers.

Elizabeth Simmons-O'Neill of Lake Forest Park brought her children to the protest. "I feel like he is trampling on the Bill of Rights, the Constitution and some of the things that make America great," she said of Ashcroft.

The crowd was smaller than one that protested Ashcroft's visit to Portland on Friday, where an estimated 200 to 250 carried signs and chanted.

Ashcroft defended the rights of the protesters. And he defended the USA Patriot Act, which he said has been broadly misinterpreted. Many of the powers it extends to law enforcement officers are equal to or less than those already given to authorities in other circumstances, he said.

For example, roving wiretaps - a provision included in the act - have been used by law enforcement officers in the war on drugs since 1986, he said.

"This tool, which we've had available to fight drug abuse, ought to be available to fight terrorists," Ashcroft said.

The right to subpoena business and library records, another controversial element of the act, has been available to grand juries in America for years in other circumstances, he added.

Furthermore, the act includes "substantial safeguards," he said, including supervision by a federal judge and oversight by Congress.

Rather than scale back the USA Patriot Act, Ashcroft said it needs to be expanded.

Ashcroft began the day by meeting with members of the Washington state antiterrorism task force. It includes representatives from dozens of local, state and federal law enforcement agencies. Some stood beside Ashcroft as he delivered a short speech and then took questions from reporters.

He cited the capture of "Millennium bomber" Ahmed Ressaam, arrested by Customs officers in 1999 while trying to enter Port Angeles with a car full of explosives, and the recent plea bargain with James Ujaama, the Seattle man who pleaded guilty to conspiring to help the Taliban.

Afterward, some task force members echoed Ashcroft's statements.

Maj. Gen. Timothy Lowenberg, adjutant general of the Washington National Guard, said the anti-terrorism task force has had a "transforming effect" on law enforcement in Washington.

"The level of cooperation and sharing of information among law enforcement is really unprecedented," he said.

Washington State Patrol Chief Ronal Serpas said that by visiting the task force, Ashcroft reaffirmed his commitment to the group's work.

"When the head person says it, it means something," Serpas said.

Toughen Patriot Act, Attorney General Says (Anchorage Daily News)

CONTROVERSY: Law gives government broader powers for searches, monitoring phones.

By Katie Pesznecker And Nicole Tsong

The Anchorage (AK) Daily News, July 22, 2003

United States Attorney General John Ashcroft told federal and local officials Monday the USA Patriot Act should be expanded, not softened, even as protesters gathered nearby and the Anchorage Assembly and state Legislature have passed resolutions protesting the national anti-terrorism law.

Ashcroft charged critics with misconstruing a law that he said broadens the government's ability to nab terrorists. He would like to amplify those powers, he said.

"This is not something novel or new or different," Ashcroft said. "The Patriot Act is simply a way to extend a robust set of tools."

Ashcroft addressed Alaska's Anti-Terrorism Task Force, which includes representatives from 60 federal, state and local agencies. It's one of 93 such task forces around the United States; Ashcroft said he has personally visited about 40 of them.

The attorney general said that in the pursuit of terrorists it's critical that federal and local governments work together. Without the Patriot Act, Ashcroft said, these efforts would be "difficult if not impossible."

The act lowers legal standards for government agents to listen to private telephone calls or search homes. It also grants federal authorities wider access to citizens' personal medical, financial and school records, library records and bookstore purchases.

Congress passed it in the emotional weeks after the Sept. 11, 2001, terrorist attacks. But since then, roughly 150 local and state governments have passed resolutions protesting the act. The Alaska Legislature in May nearly unanimously passed a resolution telling local and state law enforcement to refuse to help federal agents pursuing activities approved by the act.

Last week, the Anchorage Assembly adopted a resolution requesting that Anchorage police and other city agencies refuse to help federal agents in ways that violate "the rights and liberties guaranteed equally under the state and federal constitutions."

The Anchorage Police Department isn't sure how to respond to the resolution, said Walt Monegan, acting police chief.

"The idea of sharing information that could save lives or property is very important," Monegan said after Ashcroft's speech. "No one wants to flaunt any action by the city government, but if information is shared and it saves someone, I think that's very important."

"If there is a crime, we're going to be jumping into it."

Ashcroft also met with Gov. Frank Murkowski, federal judges and Department of Justice Employees in Alaska.

Reporters and photographers covering his address were ordered not to approach within several feet of the attorney general, and after his remarks, were limited to asking a total of five questions. Ashcroft evaded answering some of them.

One reporter asked his opinion of Anchorage's and Alaska's resolutions protesting the Patriot Act.

"I believe our relationships are very good," said Ashcroft, who praised Alaska officials as having integrity and being cooperative.

What of Alaska Congressman Don Young's objections to the act? Should the act be changed?

"I think it seems to most Americans that an adjustment may be appropriate," Ashcroft said. It should expand to give federal officers more authority, he said.

He was also asked if the municipality and state can ignore the law.

Ashcroft said it's clear that public safety officers want to stop terrorists.

"Our business is to secure liberty," he added. "We don't invade or undermine it."

The Sept. 11, 2001, attacks showed the country needed better communication and interaction between agencies, Ashcroft said. That's what the Patriot Act provides, he said.

"We were always instructed and guided by the principle that we would never work outside the Constitution," Ashcroft said, in explaining the act's creation.

Critics say the Patriot Act erodes privacy and personal freedom. Interest groups across the political spectrum have called for changes.

During Ashcroft's appearance at the Hotel Captain Cook, more than 40 protesters stood in light rain outside, holding signs with messages such as "Dear John, You've Killed the American Dream," "We will not watch what we say" and "Supreme Law of the land is the constitution, not Ashcroft."

Amy Christiansen wore blue cloth around her chest and draped across her shoulder, mocking the cloth Ashcroft ordered placed over a half-nude statue at the Department of Justice last year. She said her outfit demonstrated Ashcroft's agenda, including a justice system that limits citizens' civil liberties.

"I don't feel safe in my own country," said Christiansen, 41, a veterinary technician. "I'm embarrassed to be an American."

UAA graduate student Sol Neely was openly enthusiastic about the resolutions passed by the Anchorage Assembly and the state Legislature. Alaskans are politically conservative but respect civil rights, he said.

"That makes me very proud to be in Anchorage," Neely said.

Assemblyman Allan Tesche, who sponsored last week's Anchorage resolution, said most feedback he has heard on his resolution is positive. Expanding the Patriot Act further would be a mistake, he said.

"Before we further ratchet down on civil liberties, we need to look at (the Patriot Act) and how it has been implemented," said Tesche, an attorney. "The overwhelming number of people support what we did. So I'm really proud to stand with the Legislature. We have done exactly the right thing."

Middle East Immigrants Scarce At Ashcroft Protest (Seattle Times)

By Ray Rivera

The Seattle Times, July 23, 2003

U.S. Attorney General John Ashcroft encountered minor protests during his brief stop in Seattle yesterday, as he has in most places he visits these days.

But notably absent among his sign-waving detractors were immigrants from Middle Eastern and Muslim nations.

Some fear being tagged anti-American. Others worry that being spotted at a protest - much less arrested - could spell trouble when they try to renew their visas or obtain permanent residency.

"I've had clients who have been terrified by what's happening," said Bob Free, an immigration lawyer with MacDonald, Hoague and Bayless in Seattle. "I've urged some to go to the press and make complaints and vocalize what's happening to them, and they won't because they don't trust America at this point."

Ashcroft's visit, part of a three-state swing through the Northwest, drew about two dozen protesters to the U.S. Coast Guard station at Pier 36, where Ashcroft was meeting with local and federal anti-terrorism officials.

Some of the protesters waved signs espousing socialism, some called for anarchy, and a few attacked the Patriot Act and Ashcroft's record on civil rights.

"I think that's what the Bush administration has done, try to foster fear," said protester Margaret Viggiani.

Foreign nationals had once been a common sight outside federal buildings in Seattle and across the country protesting the treatment of immigrants after the terrorist attacks of Sept. 11, 2001.

But the arrest and detention late last year of hundreds of Middle Eastern men and teenagers - mostly in Southern California - who voluntarily complied with a new federal immigrant fingerprinting and registration program sparked fears already dwelling in many immigrants.

"The perception is that if you show up to one of these your picture is going to be taken, and there might be negative repercussions that flow from that," said Ibrahim Hooper, spokesman for the Council on American-Islamic Relations, a Washington, D.C.-based civil-liberties group. "Many came from countries where a knock on the door at midnight was common, and they remember that."

Their concerns are unfounded, said Dan Kane, a spokesman for the Bureau of Citizenship and Immigration Services, an arm of the Homeland Security Department.

"Simply being present at a protest will not affect adjudication of an immigration application," Kane said. "Now if they're involved in breaking the law, and convicted of a felony, that excludes them from benefit application. Residing legally in the U.S. is a privilege granted to those without criminal history."

Most arrests associated with protests - such as disturbing the peace or disobeying a police officer - would likely have no bearing on an application, he said.

Free agreed. He said he hasn't heard of any cases where attending a protest has harmed someone's immigration status.

"Nevertheless, the fear is something subjectively they feel," he said.

Their reticence was evident last month at protests targeting local and federal law-enforcement agencies at the 48th-annual Law Enforcement Intelligence Unit (LEIU) conference in downtown Seattle. Protesters hoisted banners and walked the streets decrying an organization they deemed tantamount to a secret police force.

Rita Zawaideh was among the few Middle Eastern faces in the crowd.

"They've scared our community so much that we don't have a voice anymore," said Zawaideh, chairwoman of the Arab American Community Coalition.

Zawaideh, who came to the U.S. from Jordan in the 1950s and became a citizen in 1973, urges other Arab Americans to speak out at rallies. But for immigrants whose citizenship status is uncertain, her advice is quite different.

"We tell them to be very careful," said Zawaideh. "In the Middle East we used to say the walls have ears, because we had to be very careful of what we said for fear of who might be listening. Well, that's the phrase we use in the U.S. now."

In Portland on Friday, Ashcroft drew about 250 protesters. Again, few faces of color, said Jon Pfaff, a Seattle resident who attended.

"I think they have a damn legitimate concern," Pfaff said of immigrants. "I think anyone who is not white and who does not lean to the ultra-Christian belief is in deep trouble."

Delila Leber represents people in immigration proceedings for the Northwest Immigrant Rights Project. She said the organization seldom advises clients to avoid rallies. But if their citizenship status is pending, it comes with risks, particularly if it leads to interaction with police.

"Anytime there's an interaction with local or state law-enforcement authorities, there's a chance they could be interviewed and detained by immigration," Leber said.

Critics say the concerns have been justified by the Justice Department's own inspector general, who in a report released last week identified dozens of recent cases in which department employees have been accused of serious civil-rights violations in the enforcement of the USA Patriot Act. That followed allegations made last month in a separate inspector general report of deeper problems with the department's treatment of hundreds of illegal immigrants detained after the Sept. 11, 2001, attacks.

In a brief news conference with reporters yesterday, Ashcroft defended the Patriot Act, saying it has been misinterpreted and has actually preserved civil liberties.

Many of its features - including roving wire taps and access to library records - have been available to prosecutors and grand juries for years in the fight against drugs and other crime. The Patriot Act, he said, makes those same tools available in the fight against terrorism.

Ashcroft also defended the right of people to protest.

"That's what America is all about," he said. "And my job is to secure the right of people to speak freely."

Ashcroft, Ujaama: The Boys Are Back In Town (Seattle P-I)

Column By Robert L. Jamieson Jr..

The Seattle Post-Intelligencer, July 23, 2003

John Ashcroft's "Bustin' Bad Boyz" Tour rolled through Seattle yesterday. The nation's band leader of anti-terror was crooning his greatest hits.

Had Ashcroft been inclined, he could have moseyed down 10 miles south of his news conference at Pier 36 and held a jam session with a prize catch few people even knew was back in town: James Ujaama.

Ring a bell?

Ujaama is our very own Seattle Taliban, the local guy with Afghan ties.

He pleaded guilty and was quietly whisked far away this spring to Homeland Security's Never Never Land.

But he returned to Seattle more than a week ago. Ujaama reportedly had been in New York to testify before a grand jury investigating a London cleric suspected of recruiting for al-Qaida.

Given the history between John (the law) and James (the lawbreaker), one would have thought this terror-twined duo would be up for a reunion.

But Ashcroft didn't call.

He didn't write.

Just like a G-man!

"I haven't heard from John Ashcroft asking to visit my client," Ujaama's attorney Robert Mahler said yesterday with a hearty chuckle. "I'm sure that's not going to happen."

A journalist can always hope, right?

If Attorney General Ashcroft had inquired, he would have discovered his homeboy is doing fine and has been quite busy since slipping from the headlines.

Ujaama is being held at the federal detention center in SeaTac, where, in exchange for his cooperation, he is serving two years out of a possible 10-year-sentence.

He could be out of prison as early as April.

He has lost some weight, largely as a result of a stomach ailment that has been worsened by stress. His hair is grayer. Otherwise, he looks pretty good.

Ujaama's mother, Peggi Thompson, has visited her son four times since his recent return. When she had gone to see him back in April, she was told she couldn't see him. She didn't even know if he was there. "They told me they had 'no information,'" Thompson said. "I went off. I lost it."

For months she didn't know about his fate.

Letters sent to her son vanished.

Books were returned.

The war on terrorism made Ujaama the invisible man.

Last week, Thompson hugged her son for the first time in a long time. Ujaama's 77-year-old grandmother, who uses a walker and is in failing health, was there, too.

Ujaama was relieved; he feared time would run out before he saw his grandmother again.

Ujaama meets with visitors in an airy detention center room. The place is full of creative works by inmates, including vibrant paintings of city and state landmarks.

Ujaama softly talks about many things: his extended family, which just held its biennial family reunion; his 13-year-old son, Karim, who recently visited him; and his future, which might include higher education.

He recently requested a catalog from Florida A&M University, a college many of his relatives have attended.

Ujaama will talk about most anything – but not everything. He doesn't want to jeopardize his plea deal with Uncle Sam.

So he has to be mum when it comes to discussing his hearings, his testimony or the terror-related charges. (He pleaded guilty to violating the International Economic Emergency Powers Act, for providing computers and money to the Taliban.)

Ujaama is allowed to mingle with other prisoners. He spends a lot of time sleeping. And, he says, he writes, hours upon hours each day.

It might all lead to a book, and while it's too early for a working title, his mother suggests a possible one: "Can This Really Be Happening? Why not? You're in America!"

Just kidding, she quickly adds.

But there is a kernel of truth in her joke.

"All this big stink the government raised over James and look at the plea they agreed to? Something's not right," she says. I couldn't agree with her more. If he really committed a heavyweight crime, he got a featherweight sentence.

Ujaama did admit to some wrongdoing and does accept the punishment. He says he just wants to finish doing his time, reclaim his life and speak out for justice – something he's been doing his whole life.

Ujaama would have told all of this to Ashcroft had the AG bothered to pay a visit.

But Ujaama understands. And so do I.

Ashcroft is a busy man. He's on tour, rockin' and rollin' America as we know it, trampling our civil rights, shredding the Constitution, all in the name of the "Patriot Act."

Is that really how a patriot acts?

House Takes Aim at Patriot Act Secret Searches (Reuters)

By Andrew Clark

Reuters, July 22, 2003

WASHINGTON (Reuters) - The U.S. House of Representatives voted overwhelmingly on Tuesday to roll back a key provision, which allows the government to conduct secret "sneak and peek" searches of private property, of a sweeping anti-terrorism law passed soon after the Sept. 11 attacks.

The House voted 309-118 to attach the provision to a \$37.9 billion bill funding the departments of Commerce, State and Justice. It would be the first change in the controversial USA Patriot Act since the law was enacted in October, 2001.

The move would block the Justice Department from using any funds to take advantage of the section of the act that allows it to secretly search the homes of suspects and only inform them later that a warrant had been issued to do so.

Supporters of the change say that violates both the U.S. Constitution and the long-standing common law "knock and announce" principle -- which states the government cannot enter or search private property without first notifying the owner.

"Not only does this provision allow the seizure of personal and business records without notification, but it also opens the door to nationwide search warrants and allowing the CIA and NSA to operate domestically," said the amendment's sponsor, Idaho Republican Rep. C.L. "Butch" Otter.

The Justice Department recently told Congress that it had already executed 47 "sneak and peek" searches and had sought to delay notification of search warrants in a total of 250 cases, said Ohio Democratic Rep. Dennis Kucinich.

"I would suggest to you that just one would constitute a threat to our Bill of Rights," he said.

The Patriot Act, which granted broad new powers to U.S. law enforcers, was passed by Congress with little debate in the immediate aftermath of Sept. 11 and signed into law by President Bush just six weeks after the attacks.

Since then, it has come under increasing criticism from lawmakers and civil liberties advocates from both ends of the political spectrum. The House is now expected to pass the broader spending bill on Wednesday.

"Given its overwhelming passage this evening, the amendment is highly significant and a herald of more fix-Patriot measures to come," said Laura Murphy, director of the American Civil Liberties Union's Washington legislative office.

U.S. Attorney General John Ashcroft -- who has become a lightning rod for concerns over the possible erosion of U.S. civil liberties -- defended the Patriot Act on Monday, saying criticism of it was based on exaggerations and falsehoods.

Maria's Owner Offers Petition To McInnis (Durango Herald)

By Jennifer Kostka

The Durango (CO) Herald, July 22, 2003

Three Durango bookstores and two libraries gave their petition opposing a section of the Patriot Act to U.S. Rep. Scott McInnis' local office Monday with hopes that its 1,179 signatures influence the congressman.

Peter Schertz, owner of Maria's Bookshop, began a local petition drive six weeks ago to show support for the Freedom to Read Protection Act. The act seeks to overturn Section 215 of the Patriot Act, which allows federal investigators to obtain customer-purchase and library-usage records and monitor Internet traffic at public computer terminals without notification or court order.

Maria's Bookshop, The Bookcase, Southwest Book Trader, the Durango Public Library and Reed Library at Fort Lewis College displayed the petition for people to sign.

"It's a logical cause for all of us," Schertz said.

Schertz decided to take the petition to McInnis' office two weeks earlier than planned because of an amendment to the 2004 Commerce, Justice, State and Judiciary Appropriations Bill that Congress may consider soon. The amendment would eliminate U.S. Justice Department funding for searches of bookstore and library records under the Patriot Act, according to the American Booksellers Foundation for Free Expression, an organization that supports causes for independent bookstores. Schertz learned about the amendment through the organization.

McInnis, R-Colo., has said in the past that he would not support the Freedom to Read Protection Act because he does not want to take away tools from the people who are trying to protect U.S. citizens. Blair Jones, McInnis' press secretary, said Monday that McInnis receives several petitions every month, and he will review this petition.

On Monday afternoon, Schertz handed the petition, which was at least an inch thick, to Jane Zimmerman, McInnis' Durango office manager. Zimmerman said she would mail it to McInnis' Washington, D.C., office.

Schertz also plans to give a copy of the petition to Sen. Ben Nighthorse Campbell, R-Colo.

Jon McClure, owner of The Bookcase, said customers at his store filled about a dozen pages with signatures of support.

"I'm just another citizen that has his own feelings," McClure said. "I can only hope that representatives will listen to some of the people they're supposed to represent."

Customers at Maria's seemed to support Schertz's effort, he said. Many people came into the store only to sign the petition.

"There's a lot of out-of-towners, which I think is positive," Schertz said. "It shows a lot of widespread support."

Earlier this month, Durango city councilors unanimously approved a resolution that opposes certain provisions in the Patriot Act. The resolution directs city employees and the Durango Police Department to take no action that would conflict with or impair constitutional rights or civil liberties. It also requires them to report any direction from federal officials that would cause them to violate the resolution.

Other cities throughout the nation have passed similar resolutions against the Patriot Act.

Ashcroft Gets Bad Rap (WT)

Op-ed By Jonah Goldberg

The Washington Times, July 23, 2003

My wife is an aide and senior speechwriter to Attorney General John Ashcroft. This can be a big drag. First of all, I know she knows all sorts of cool stuff - the real score on Osama, where Jimmy Hoffa's buried, how Col. Sanders puts an addictive chemical in his chicken - and just won't tell me.

But on a day-to-day basis, the most annoying aspect is that whenever I mention John Ashcroft, I have to follow it up with "great dancer." Oops, I mean "full disclosure." And for some readers that "full disclosure" actually means "don't believe anything I say." The fact that my wife works for the AG means that I'm automatically in the tank for him.

What makes this so annoying is that I honestly don't understand what Ashcroft has done wrong.

According to a recent article by Adam Nagourney of The New York Times, there is no single figure more universally loathed by liberals, Democrats and - Nagourney seems to imply - all intelligent and decent carbon-based life forms.

But let's start with Democrats. "In my first five seconds as president, I would fire John Ashcroft as attorney general," Rep. Richard A. Gephardt of Missouri recently told a cheering audience of Hispanic leaders in Phoenix.

"We cannot allow people like John Ashcroft to take away our rights and our freedoms," Senator John Edwards of North Carolina told an audience in Concord, N.H., "drawing a nearly instantaneous standing ovation," Nagourney wrote.

John Kerry promises that "When I am president of the United States, there will be no John Ashcroft trampling on the Bill of Rights."

Chris Lehane, Al Gore's former press secretary and now an adviser to Sen. Kerry, told the Times, "Ashcroft has become a symbol of ideas and doctrine and ideology that are just unacceptable in the Bush administration." He continued, "He is a living, breathing troglodyte who happens to run the Justice Department."

Nagourney even approvingly quotes a student from Dartmouth who says, "I think he might be the most loathed man in America."

This is all nonsense on stilts - on top of a ladder, on the roof of a very tall building. First of all, someone needs to tell these people that America isn't populated entirely by irrational liberal Ashcroft-phobes.

A Harris Interactive poll last month found that 54 percent of respondents had a positive view of Ashcroft's job performance and only 32 percent had a negative view. This makes Ashcroft more popular than Al Gore, Ted Kennedy, Joe Lieberman, Hillary Clinton, Dick Gephardt or John Kerry. His positive rating is higher than the Congressional Democrats as a group and Congressional Republicans as a group. He is 20 points more popular than the avuncular Denny Hastert and a few points better than Dick Cheney.

Now I don't put much stock in polls, and I'm sure other polls say different things, but only someone deeply enmeshed in groupthink could believe that Ashcroft is the most hated man in America. It reminds me of when Richard Nixon said that it's obvious the world's overpopulated since everywhere he goes he sees huge crowds.

The Ashcroft-haters also say that all clear-thinking, liberty-loving people know that Ashcroft's demon child - the Patriot Act - is a Great Evil. The problem is that 99 percent of these people don't know what they are talking about. When I ask people why they think my wife's boss is the devil or what's wrong with the Patriot Act, I get ill-informed mush or untrue propaganda.

Just to be quick: Despite the ACLU's insistence that the Patriot Act gave the executive branch "sweeping new powers that undermine the Bill of Rights," all of the snooping, sneaking, spying and other prying powers allegedly granted to the Feds still have to be approved by judges, as always.

Most of these powers already existed for criminal investigations, but the government thought it might be a good idea to use them against al-Qaida as well as the mob. What about the government's newfound power to read all of your e-mail through systems like "Carnivore"? Well, maybe that should bother you, but the Patriot Act constrained the scope of the government to use Carnivore, not the other way around.

I'm not saying a sane person cannot quibble with the Patriot Act or that you have to be crazy to dislike John Ashcroft. But the rhetoric is so far above the reality on both scores, it makes many people and institutions look crazy.

In fact, the Patriot Act is so reasonable it passed the Senate 98 to 1 and the House by 357 to 66. Indeed, with the exception of Dennis Kucinich, all of the senators and representatives currently running for president on John Ashcroft's back voted for it.

So again, I ask, what in the world are these people talking about?

Jonah Goldberg is editor at large of National Review Online.

Being John Ashcroft (Boulder Daily Camera)

Ducking responsibility, grabbing power

Editorial

The Boulder (CO) Daily Camera, July 23, 2003

Being John Ashcroft means never having to say you're sorry. When the U.S. Justice Department is indicted for civil-liberties abuses, Attorney General Ashcroft changes the subject. And demands more power.

Last week, the Justice Department's Office of the Inspector General released its third regular report on the implementation of the USA PATRIOT Act. The report revealed dozens of "credible allegations" of civil-rights and civil-liberties violations.

The inspector general, an independent investigator, reported that in the six months prior to June 15, the office received 1,073 civil-liberties complaints, 272 of which fell under the inspector general's jurisdiction. Some 34 complaints were deemed "credible."

In one case, a prison officer verbally abused a Muslim inmate and ordered the man to remove his shirt so the officer could use it to shine his shoes. The Justice Department concluded that the claim was "unsubstantiated." The inspector general, however, corroborated the story.

That case was among scores alleging a non-criminal but very virulent display of anti-Muslim bias. During a physical examination, for instance, one prison doctor told an inmate, "If I was in charge, I would execute every one of you ... because of the crimes you all did." The physician allegedly treated other inmates in a "cruel and unprofessional manner." The doctor received a verbal reprimand.

The report also revealed other investigations including: alleged unnecessary body-cavity searches, denial of arrestees' access to lawyers, illegal searches of an Arab-American's apartment, and the beating of detainees.

The Justice Department downplayed the report. Spokeswoman Barbara Comstock said "the small number of credible allegations will be thoroughly investigated."

Meanwhile, Ashcroft's reaction was incredible. This week, he said the USA PATRIOT Act (the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act) should be broadened, so the government would have greater powers of secret detention, warrantless search, and citizen surveillance.

Ashcroft has used this diversionary tactic before. Last month, the inspector general released a 239-page report identifying "significant problems" in the Justice Department's treatment of the 762 foreigners held after 9-11. The detainees, suspected of relatively trivial immigration offenses, were secretly held for long periods without charges, without access to attorneys, and often with physical or verbal abuse.

In response, the Justice Department made "no apologies" for trying to protect America. And just after the report's release, Ashcroft told Congress that his department, which had just been accused of abusing its power, deserved more power. The PATRIOT Act, he said, has "several weaknesses which terrorists could exploit."

Ashcroft and his minions, downplaying allegations of invasive PATRIOT actions, note the relatively small number of credible complaints, as if 60 abuses a year were trivial.

Furthermore, the Justice Department won't reveal - and the inspector general can't determine - the more insidious PATRIOT Act abuses. The law opens the door to widespread surveillance of innocent citizens. But these civil-rights incursions are under-reported for obvious reasons: We don't know when the government is watching us. Furthermore, the PATRIOT Act makes it a crime even to acknowledge the existence of certain kinds of surveillance.

This week, Ashcroft dismissed any "so-called invasion" of privacy as "falsely reported and non-existent." This comes from a man who seems profoundly averse to admit any error and deeply fond of government stealth. Should he get even more power to act secretly and unaccountably? Any answer but "no" would be incredible.

Patriot Act Excess (Albany Times-Union)

A second report by Justice Department investigators cites allegations of abuses

Editorial

The Albany (NY) Times-Union, July 22, 2003

For the second time in as many months, the Justice Department stands accused of trampling civil liberties in the name of fighting terrorism. That would be unsettling enough. What makes the latest warning even more alarming is that, once again, the accuser is none other than the department itself.

In June, Glenn Fine, the department's inspector general, released a report that accused department officials of mistreating illegal immigrants suspects by, among others things, denying them regular contact with attorneys and family, and failing to inform them of the charges against them. In one holding center in Brooklyn, suspects were physically abused, Mr. Fine reported.

Now comes another report that catalogs more incidents of alleged abuse. The report, a copy of which was given to The New York Times by Rep. John Conyers, D-Mich., includes charges that civil liberties were violated by department employees. While most of the workers cited are employed by the Bureau of Prisons, allegations were also made against employees of the FBI, the Drug Enforcement Administration and the Immigration and Naturalization Service -- all of which have broad enforcement

powers under the USA Patriot Act. That legislation was passed in the days after the Sept. 11 terror attacks against the World Trade Center and the Pentagon, when the American public was demanding new homeland security measures, and when Congress was only too willing to comply. Besides broad powers to detain suspects, the Patriot Act also enhances government secrecy and thus diminishes public accountability for official wrongdoing.

Most of the latest allegations of abuse are still being examined, although a few have been substantiated by department investigators. They include accusations that a federal prison doctor subjected Arab and Muslim inmates to verbal abuse and treated them in a cruel and unprofessional manner.

When Mr. Fine's June report was issued, Justice Department officials were quick to promise that they would vigilantly protect civil rights and civil liberties. In one sense, the latest report is a sign that the department is indeed keeping watch to ensure that these rights are being upheld. But in another sense, the fact that there are now back-to-back reports indicates that more vigilance is needed.

The question is, how much more? And another question: Who will know when all the proper safeguards are in place? It will be hard to get the answers when the emphasis is on secrecy. It's past time for Congress to reform this legislation and make government more -- not less -- accountable for its actions.

Violating Civil Rights Undercuts Our Cause (Daily Astorian)

Abuses in Justice Dept. report should alarm congressional watchdogs

Editorial

The Astoria (OR) Daily Astorian, July 22, 2003

The USA Patriot Act helped unleash an ugly and disturbing period of racism among a few U.S. Justice Department employees, according to a new report by the department's inspector general.

From Dec. 16 through June 15, the inspector received 1,073 complaints "suggesting a Patriot Act-related" abuse of civil rights or civil liberties, according to a Monday story in The New York Times.

Most were rejected out of hand as either being impossible to prove or not credible, but 272 were worthy of further investigation, of which at least currently 34 appear likely to violate Patriot Act provisions aimed at avoiding these types of abuses. Alleged abuses range from beatings to cruel verbal abuse of Muslim and Arab inmates in federal detention centers.

In response to the report by Inspector General Glenn A. Fine, who is a semi-independent watchdog, a Justice Department spokeswoman said the department takes seriously its responsibilities. But as with an earlier report on Patriot Act abuses, she and the department as a whole prefer to minimize the issue, stressing "the small number of credible allegations."

That thoroughly misses the point. While no one would suggest the Justice Department is dominated by racists or that the Patriot Act is uniformly rotten, there is no more important issue than rooting out anyone in federal law enforcement who would apply a racist jackboot to the backs of immigrants caught up in the post-9/11 furor.

If there are 34 sure-fire examples of abuse, it's virtually certain many more examples exist for which there were no objective witnesses. The department must investigate all such accusations with the same enthusiasm it puts into defending itself and trashing its political enemies.

In wartime, it seems virtually inevitable that some citizens will improperly tar all members of certain racial and ethnic groups. In the wake of 9/11, the Justice Department has acted with commendable professionalism in dealing with examples of race crimes by private citizens against people of Middle Eastern origin.

But in minimizing and downplaying abuses by federal employees, it seriously undercuts its own case for continuation of the broad powers granted by the Patriot Act. We have every right to insist that federal agents, guards and others act with scrupulous attention to due process and basic fairness. Anything less calls into question the legitimacy of our actions and our government.

Having said this, it also must be said that federal employees also deserve a presumption of innocence until proven guilty. A witch hunt for transgressors must not ensue, not that there is much danger of that in this administration.

All citizens and all residents should be treated with respect, courtesy and a ringing awareness of Constitution's clear directives. Our nation is one of immigrants. Successive waves of people have arrived on these shores from countless places, bringing with them a treasure of brains, spirit, bravery, sweat, love and, yes, patriotism.

This is a time to nurture and protect Americans of Muslim and Arab origin, to make them proud and happy about their choice of a home. The Justice Department should be leading the way.

Justice And The Suspects (SF Chronicle)

Editorial

The San Francisco Chronicle, July 22, 2003

AN UNSETTLING report by the internal watchdog of the U.S. Justice Department serves as a reminder that use of the so-called Patriot Act to guard Americans from terrorism must not veer into abuse of innocent people's civil rights.

A new semi-annual accounting given to Congress by Inspector General Glenn A.

Fine as part of his statutory duty said there were 34 "credible" complaints of civil rights violations by department employees in the six months ended June 15. Included were charges that Arab and other Muslim immigrants held at federal detention centers had been beaten or verbally abused. Targets of such complaints are employees of the federal Bureau of Prisons, the FBI, the Drug Enforcement Administration or the Immigration and Naturalization Service.

Examples of alleged abuse of illegal immigrants held in the search for terrorists are a prison doctor telling an inmate that "if I was in charge, I would execute every one of you," and a guard telling a detainee to remove his shirt so the guard "could use it to shine his shoes."

In an earlier report, Fine cited mistreatment of hundreds of illegal immigrants, with no known links to terrorism, in the weeks after the Sept. 11 attacks. The top leadership of the department under U.S. Attorney General John Ashcroft stood unapologetic on the ground of "aggressively protecting innocent Americans from another terrorist attack." But perhaps because of Ashcroft's desire for expanded powers under the Patriot Act, the department then embraced many of Fine's recommendations for deciding who should and should not be considered terrorist suspects, and how they should be treated.

The case for respecting everyone's rights under U.S. law requires no argument. But Inspector General Fine's scrutiny of the Justice Department's performance is sadly needed.

Report On 9/11 Cites Numerous Missed Clues (WSJournal)

The Wall Street Journal, July 23, 2003

WASHINGTON -- The Central Intelligence Agency and the Federal Bureau of Investigation missed numerous clues in the months leading up to the Sept. 11, 2001, terror attacks, but correcting any of those lapses wouldn't have stopped the plot, according to a report of the House and Senate intelligence committees due out Wednesday -- 22 months after the attacks.

"This inquiry has uncovered no intelligence information in the possession of the intelligence community prior to the attacks of Sept. 11 that if fully considered would have provided specific advance warning of the details of those attacks," the report states, according to two people with copies.

Nonetheless, U.S. authorities come in for heavy criticism for failing to communicate with one another and missing a series of clues, people familiar with the report said. The report says, for instance, that President Bush was warned a month before the attacks that al Qaeda wanted to strike targets in the U.S., possibly with airplanes. That and other information in the report has been aired before.

The report renews questions about the role of the Saudi Arabian government, but the answers remain ambiguous -- in part because the Bush administration has refused to declassify a 28-page section of the report addressing that issue.

The report devotes considerable attention to the activities of two hijackers, Khalid al-Mihdhar and Nawaf al-Hazmi, who were on a nationwide law-enforcement watch list, and their ties to a Saudi man named Omar al-Bayoumi.

Newsweek magazine reported Mr. Bayoumi visited the Saudi consulate in Los Angeles before coming in contact with the two men, but an FBI official cast doubt on the report and said Mr. Bayoumi had a reasonable explanation for financial help he gave the men.

9/11 Report: No Evidence Of Critical Mistakes (LATimes)

By Richard B. Schmitt and Josh Meyer

The Los Angeles Times, July 23, 2003

WASHINGTON - A long-awaited congressional report looking into the events leading up to the terrorist attacks on Sept. 11, 2001, broadly criticizes the U.S. intelligence community for failing to anticipate the possibility of such an attack, but finds no specific evidence that officials ignored or missed warning signs that would have enabled them to foil the plot that killed about 3,000 people, congressional and law enforcement sources said Tuesday.

The 900-page report is to be released Thursday after months of haggling between congressional investigators and intelligence authorities over which portions of the hefty document should be declassified or remain top secret. A preliminary version detailing a summary of the concerns was published last winter.

The report is the product of months of hearings and testimony last year before a joint intelligence panel, which unearthed evidence that the FBI and CIA mishandled clues and warnings in the years and months preceding the attacks. The hearings gave impetus to the creation of a bipartisan federal commission being led by former New Jersey Gov. Thomas Kean that is separately investigating the attacks. The commission is due to complete its work next year.

The congressional report provides new hues and shades to an already dim portrait of U.S. preparedness before the attacks.

Although the report's general outlines have been previously known, the timing of its release and the light it is expected to shed on what Bush administration officials knew in advance of the attacks comes at a politically sensitive time - as the administration attempts to fend off criticism that it relied on faulty intelligence about Iraqi plans to develop weapons of mass destruction before going to war.

Some Democratic presidential contenders are already attempting to make hay from that. During a quick swing through Los Angeles on Monday night, Sen. Bob Graham of Florida, the former chairman of the Senate Select Committee on Intelligence, criticized the administration's unwillingness to release the full body of the report.

"I am a very angry man tonight, being informed of what portions of the report are going to be withheld from the public," Graham told about 40 members of Democratic Leadership for the Twenty-First Century, a group of young Democrats gathered in a dimly lighted cabaret on Wilshire Boulevard.

"I start from the premise that in a democracy, the people should know as much as the government knows unless there is a very compelling case that the information threatens American security interests," Graham said. "I think a different standard has been applied to this report, and that is, 'What is it that reduces the embarrassment to agencies that acted in an incompetent manner?'"

Still, the report takes the intelligence community to task for failing to share terrorism-related information they had independently gathered before Sept. 11, including a previously reported episode in which the CIA failed to pass along to the FBI and other agencies intelligence linking two of the hijackers living in the San Diego area to the Al Qaeda network and the 2000 bombing of the destroyer Cole in Yemen until a few weeks before the attacks on the Pentagon and the World Trade Center. The men were among those who commandeered the jetliner that crashed into the Pentagon.

The report asserts that intelligence forces failed to fully appreciate and anticipate the threat posed by Al Qaeda before the attacks and, according to one person familiar with the report, paints a "fairly startling" picture of how Al Qaeda operations chief Khalid Sheikh Mohammed freely traveled to and from the United States in the years before the attacks.

It also provides tantalizing details about the two hijackers' relations with a San Diego man suspected of having ties to the Saudi government and an FBI informant who was also their landlord. The FBI has asserted that the informant had no way of knowing that the men might have been involved with terrorism, and that he subsequently passed a polygraph test.

Although the report apparently does not find clear evidence that the Saudis may have even indirectly bankrolled the hijackers, it raises more questions than it answers about the link and criticizes the FBI for not investigating more aggressively, people familiar with the report said. A 28-page section that includes criticism of the Saudi government and the level of its interest in Muslim extremism, moreover, has been heavily censored in the final version, these people said.

"This inquiry has uncovered no intelligence information in the possession of the intelligence community prior to the attacks of 9/11 that, if fully considered, would have provided specific advance warnings of the details of those attacks," the report found, according to a person who has read it.

But it continues: "The task of the inquiry was not, however, limited to a search for the legendary, and often absent, 'smoking gun.'"

Some of its recommendations are already being implemented, including creation of a terrorism information center that will fuse all known intelligence into a central location and improvement in the FBI's domestic intelligence-gathering capability.

Senior FBI officials say that they have received ample indications that the report will single the bureau out for much of its harshest criticism, saying agents failed to try to "connect the dots" and possibly uncover the 19 hijackers' activities in the U.S. before the attacks.

In the report, the FBI is sharply criticized for not aggressively investigating the activities of several Saudi men living in San Diego who spent time with the two hijackers, Khalid Almihdhar and Nawaf Alhazmi. Among those men is Omar al Bayoumi, who was suspected by some local Muslims of being an agent of the Saudi government.

The report, according to the FBI official, details how Al Bayoumi aided the two future hijackers, including helping them pay their security deposit and rent on a San Diego apartment. An unidentified FBI source, the report said, told agents that Al Bayoumi appeared to be an "intelligence officer" for Saudi Arabia or another Islamic country.

According to the FBI official, the report discloses that, on the same day he met Almihdhar and Alhazmi by chance at a Los Angeles restaurant, Al Bayoumi met with officials at the Saudi consulate. The report says that Al Bayoumi overheard the two men speaking Arabic in the restaurant, befriended them, and invited them to San Diego, another person familiar with the report said.

But the FBI official said congressional investigators were not able to determine the details of the consulate visit, including with whom Al Bayoumi met and what was discussed.

FBI officials have said they investigated Al Bayoumi and weren't able to establish he had any terrorist leanings or posed a threat or was involved in the hijackings. For years, the FBI and CIA have been concerned about the Saudi government's funding of radical Islamist causes, including some in the U.S.

"We don't know that he's an agent," said one FBI official, who confirmed that the report goes into great detail speculating on Al Bayoumi's possible links to Saudi authorities and the two hijackers. "That is the assessment based on one individual's feelings because of his contacts with him. But it's not based on any substantive knowledge that he was working for or with the Saudis."

Another senior federal law enforcement official said the congressional report jumps to conclusions that cast an unfairly harsh light on the bureau's counter-terrorism agents, particularly by questioning whether they failed to detect some as-yet unproven link connecting Al Bayoumi, the Saudi government and the hijacking plot.

"That's a big stretch," said the senior federal law enforcement official. "The Saudis provide a lot of financial assistance to students and other visitors. It doesn't imply complicity."

Nail al Jubeir, a spokesman for the Saudi Embassy in Washington, said the Saudi government fears that it will be made a scapegoat in the report because of its long-standing history of providing aid to any and all Saudis in the U.S. He said that Saudi officials did nothing to knowingly help anyone involved in terrorism, particularly the two hijackers, and that Al Bayoumi has never worked in any intelligence-gathering capacity for the Riyadh government.

"We're not going to comment on something we haven't seen, and it is unwise to speculate," Jubeir said of the congressional report. "Sadly, [almost] no one has actually seen the report but everyone has an opinion about it, and about things that may or may not be there. We have seen that in the past, that people run with things that are difficult to refute that in some cases turn out to be not true."

Al Bayoumi has "no connection" to the Saudi government, said Jubeir, who noted that Al Bayoumi was detained in the United Kingdom for a week after Sept. 11 at the request of the FBI and that its agents questioned him before letting him go.

"He was not an intelligence officer," Jubeir said. "He is not and was not an intelligence officer. But we have made it clear that if the FBI wants to question him [again] and any other Saudi Arabian citizen, they can come through us and we will make them available."

"People are jumping through hoops here trying to make connections where there is no connection," Jubeir said. Al Bayoumi, he added, "was a student in Los Angeles; and in Saudi culture, like other cultures, people congregate around other people from the cultures they know."

9/11 Hijackers' San Diego Contacts Detailed By Lawmakers' Report (WPost)

By Susan Schmidt

The Washington Post, July 23, 2003

Two San Diego men who had been investigated by the FBI for suspected ties to international terrorists had substantial contact with some of the Sept. 11, 2001, hijackers, according to a congressional intelligence report on the attacks that is scheduled for release tomorrow.

The men -- a Muslim cleric who grew close to hijackers Nawaf Alhazmi and Khalid Almihdhar, and a business owner who employed Alhazmi -- were on the FBI's radar screen well before the attacks in New York and on the Pentagon, according to government sources who have reviewed the declassified findings of a joint House-Senate inquiry into intelligence failures before the terrorist strikes.

The new disclosures indicate once again that the FBI was tantalizingly close to some of the terrorists in the months before the attacks, and suggest that some of the hijackers had deeper connections in the United States than was previously known.

The inquiry has not uncovered new intelligence in the possession of the intelligence community "prior to the attacks of September 11 that, if fully considered, would have provided specific advance warning of the details of those attacks," the report concluded, according to the sources.

The panel said the attacks could not have been prevented had the intelligence gathered by the FBI and the CIA been better handled. It said it is impossible to conjecture what would have happened had more connections been drawn.

The 800-plus-page report is the result of months of hearings conducted last year and includes material from some of the 13 closed-door sessions with intelligence officials, as well as a synthesis of information generated in nine public meetings. The panel has spent more than six months in negotiations with the administration and intelligence agencies over how much of the material would be declassified.

Among the findings:

- Past and present national security officials complained that, with the exception of Britain, European nations did not view al Qaeda as a serious threat before the attacks. The panel found that al Qaeda plotters found a haven in Germany, where, because of civil liberties concerns, laws -- since changed -- did not prohibit membership in, or support for, terrorist organizations.

- Religious pronouncements, known as fatwas, from al Qaeda leaders and radical Muslim clerics targeting Western interests – notably Osama bin Laden's 1998 declaration of war on the United States -- did not receive the notice or attention they should have.

- Intelligence agencies still do not know all of the hijackers' activities or the contacts they made while they were in this country.

- On Aug. 27, 2001, Spanish police intercepted a telephone call that may have been a cryptic warning of the attacks. The recipient of the call, Imad Eddin Barakat Yarkas, met twice with bin Laden and had contacts with hijack leader Mohamed Atta and attack planner Ramzi Binalshibh. The report shows that Yarkas was told: "We have entered the field of aviation and we have even slit the throat of the bird," a reference, the FBI believes, to the American eagle.

After the hearings last year, the panel found that the FBI and the CIA had not grasped the magnitude of the terrorist threat on U.S. soil and did not pursue leads or share information that might have unraveled the plot.

Among the new facts the report provides is more information about the contacts several of the hijackers had with members of the Muslim community in San Diego, including the two men who had already come to the FBI's attention over their possible connection to terrorists. Previously disclosed information developed by the panel showed that the two hijackers had rented a room in San Diego from an FBI informant, and that two Saudi men who aided them financially received significant sums of money from Saudi Arabia.

New details in the report show that a San Diego business owner who hired Alhazmi was associated with a Palestinian terrorist group and had been a subject in several FBI investigations dating to 1991, the sources said. The man, a U.S. citizen whose name is deleted in the report, made various threatening comments to the San Diego police, the report said, including that Americans should be "killed" for what the United States had done to Iraq in the Persian Gulf War and that the country "needed another Pan Am 103 attack and that he would be the one to carry it out."

In January 2000, the FBI opened a new investigation on the business owner after the brother of a known bin Laden operative was seen getting into his car at a mosque parking lot, according to the report. A year later, the man's stockbroker contacted the FBI, saying the businessman had cleared out his account and had announced that he was sending money to freedom fighters in Afghanistan.

After the Sept. 11, 2001, attacks, the business owner told the FBI that he had hired Alhazmi upon receiving a call from mutual friends at San Diego's Saranac Street mosque who had recommended him.

The report concluded that the two hijackers were close to an imam at the mosque, and that when the imam moved to Falls Church in 2001, they moved to Falls Church as well, making contact with people at his new mosque, Dar al Hijrah.

According to the report, the imam was the subject of an FBI counterterrorism probe in 1999, and attracted the attention of the FBI again in early 2000 because of his contact with an associate of Sheik Omar Abdel Rahman, the blind cleric imprisoned for his role in the first World Trade Center bombing.

While the imam is not named in the report, law enforcement sources confirmed that he is Anwar Aulaqi, a Yemeni who left the United States in March 2002. After the Sept. 11, 2001, attacks, Aulaqi told reporters at the San Diego Union-Tribune that he did not know Almihdhar and Alhazmi. In a chat on the IslamOnline.net Web site on Sept. 17, 2001, Aulaqi suggested that Israeli intelligence agents might have been responsible for the terrorist strikes and that the 19 men named by the U.S. government were framed.

"It appears that these people were victims rather than hijackers. It seems that the FBI went into the roster of the airplanes and whoever has a Muslim or Arab name became the hijacker by default," Aulaqi wrote.

A government official said U.S. law enforcement has concluded that Aulaqi knew the San Diego hijackers but that he did not have advance knowledge of their plans.

Some panel members, among them then-chairman, Sen. Bob Graham (D-Fla.), have said that the inquiry received a great deal of declassified information but that they remain frustrated that portions of the report, including a section on the role of foreign governments, have been excised.

Weapons Of Mass Redaction (NYTimes)

By MAUREEN DOWD

The New York Times, July 23, 2003

This correspondence from the Office of the Vice President to the ambassador to the U.S. was redacted by the Office of the Vice President for national and electoral security reasons:

Dear Prince bin ,

Thank you, my friend, for the falcon. It survived the trip on your Gulfstream. It is now eating small endangered woodland creatures at my Jackson Hole ranch.

We are pumped about the double rubout of the Hussein boys. We really needed that win. It could be a game-changer for us. The stock market killed on the killings. And the timing will help cover your royal , too.

When the 9/11 commission report comes out tomorrow, I think you will be well satisfied with our efforts to keep you guys out of it.

We have almost as much experience as you at keeping private matters veiled. It's not good to overburden the American people with too much complicated information.

We didn't let a thing slip on our private energy meetings where we took care of our mutual friends in the industry; we kept the bidding closed on the Halliburton contracts to rebuild Iraq, and we set up our own C.I.A. within the Pentagon to produce the intelligence we wanted to link Al Qaeda to Saddam rather than to your country.

We've classified the entire section of the 9/11 report that deals with the family's support of charitable groups that benefit terrorists, including mentions of your wife's checks inexplicably winding up in the bank accounts of two of the hijackers. (Lynn says to tell Princess we have four tickets for the ballet at the Kennedy Center.)

We're not even letting Bob Graham mention the name of your country. We threatened to throw him in the federal slammer if he calls anything but "a foreign government."

Not to worry that the report will shed any light on the ties between the hijackers and your government agental- .

I know you're worried that the whiny widows of 9/11 will throw another hissy-fit when they see all the blacked-out material, like they did when you whisked Osama's family out of the U.S. on a private jet right after the attacks. But we didn't go this far down the road of pushing aside incriminating evidence about you guys and blaming 9/11 on Saddam to turn back now because a few thousand families can't get their darn closure.

Buddy, we go back a long way. You've been a great host to the Bushes and you've been generous with rides on your Airbus and Gulfstream and with invites to your beautiful estates in and and .

But now you have to throw us a bone. Al Qaeda cells are crawling all over your kingdom, planning attacks around the world. They've gotten even stronger since the May bombing of Western compounds in . We need a little more than lip service about quelling anti-American fervor over there and cracking down on phony charities. You've got to at least give the F.B.I. something to work with. Don't worry. They'll screw it up anyway.

Rest assured that the F.B.I.'s taking the heat for 9/11 in the report tomorrow, not you.

I hear you want to behead that ex-spook Robert Baer, who's been all over TV talking about the way you lavish money to influence U.S. politics, donating millions to presidential libraries and the like. But after all, every million spent on a congressman's favorite charity is one less million for a terrorist's fake charity.

Here in the House, we've mastered the art of moving beyond what people once thought was important to look for. First, we switched from looking for Osama to looking for Saddam. Then we switched from looking for "weapons" to looking for "weapons programs." Now Wolfie has informed the public that we need to worry less about finding weapons in Iraq than building democracy.

The trick is to keep moving. Just yesterday, we shifted the blame for the uranium debacle in the president's State of the speech from George Tenet at the C.I.A. to Stephen Hadley at the N.S.C.

I'd like to return your many acts of generosity. Why not come to dinner at my Secret Undisclosed Location? Here's the address: in .

All the best, Dick.

Senate Rejects Bid To Boost Homeland Security Funding (WPost)

By Helen Dewar

The Washington Post, July 23, 2003

Senate Republicans yesterday turned back the first of several Democratic attempts to add to proposed spending for homeland security next year, ensuring the issue a role in the 2004 congressional elections.

A proposal by Sen. Robert C. Byrd (D-W.Va.) to add \$1.75 billion to the \$29.3 billion appropriations bill for the new Department of Homeland Security was defeated on a largely party-line vote of 50 to 43 -- 17 votes short of the 60 needed under Senate rules because the proposal exceeded budget allocations.

But, just as they did last week in forcing a series of losing votes on initiatives challenging President Bush's Iraq policy, the Democrats were seeking to make a political point. They plan other, more narrowly targeted efforts to increase anti-terrorism spending. The Democrats' contention, disputed by Republicans, is that the administration and the GOP-controlled Congress are shortchanging the nation's domestic security needs.

Byrd's proposal sought to add \$602 million for transit security; \$729.5 million for police, firefighters and "first responders"; \$238.5 million for border protections; \$100 million to safeguard air cargo; and \$80 million to protect chemical facilities.

Since Congress's initial \$40 billion response to the Sept. 11, 2001, terrorist attacks, "the momentum has slowed," Byrd told the Senate. "Homeland security initiatives are falling behind." He cited a recent Council of Foreign Relations task force report warning that local responders remain unprepared for a catastrophic attack. "The American people believe that we here in Washington are taking care of the problem," Byrd said. "We must not mislead them."

Sen. Thad Cochran (R-Miss.), chairman of the new appropriations subcommittee for homeland security, said there is "no end to the list of ways we could spend additional funds on homeland security," noting that Congress has already pumped billions of dollars into security programs. He said spending is constrained by allocations imposed by the budget that Congress approved earlier this year and, in many cases, by practical limits on how much can be spent in a year.

Meanwhile in the House last night, lawmakers debated the proposed \$37.9 billion measure to finance the Commerce, Justice and State departments for the fiscal year that begins Oct. 1. The bill would provide \$4.6 billion for the FBI, \$424 million more than for 2003, excluding extra or "supplemental" appropriations.

The House voted overwhelmingly last night to roll back a key part of the USA Patriot Act that allows the government to conduct secret "sneak and peek" searches of private property, Reuters reported.

The House voted 309 to 118 to attach the provision to the \$37.9 billion funding bill, Reuters reported. The move would block the Justice Department from using any funds to take advantage of the section of the act that allows it to secretly search the homes of suspects and only inform them later that a warrant had been issued to do so.

The "sneak and peak" provision "opens the door to nationwide search warrants and allowing the CIA and NSA to operate domestically," said the amendment's sponsor, Rep. C.L. "Butch" Otter (R-Idaho), Reuters reported.

Senate Holds Line On Domestic Security Bill (NYTimes)

By SHERYL GAY STOLBERG

The New York Times, July 23, 2003

WASHINGTON, July 22 - The Senate today began consideration of its first annual appropriations bill financing the new Department of Homeland Security, and promptly beat back an effort by Democrats to add \$1.8 billion to the \$29 billion measure.

Democrats have been arguing for months that while the Bush administration presses tax cuts, the nation's domestic security needs are being shortchanged. But the \$1.8 billion amendment, expected to be the first of a series of Democratic efforts to increase spending in the bill, failed tonight to garner the 60 votes that budget rules required for it to be considered.

"The country's focus has been on the daily battles in Iraq," said the defeated amendment's sponsor, Senator Robert C. Byrd, Democrat of West Virginia. "While the president arguably says that the mission in Iraq has been accomplished, the mission to protect our citizens here at home is far from complete."

Republicans counter by saying that the money in the bill is more than sufficient, and note that they are providing the new department \$1 billion more than the president requested. They argue that giving the fledgling department too much money would only create problems for it.

"There is a capacity only to spend so much money at one time," said Senator Thad Cochran of Mississippi, chairman of the Appropriations subcommittee that governs domestic security spending. He added, "The rush to spend money can put the agency in disarray."

The measure is nearly identical to one the House adopted by a vote of 425 to 2 in June; a vote on the full bill in the Senate could come as early as Wednesday.

The bill would provide \$4.9 billion for customs and border protection; \$5.4 billion for the Transportation Security Administration, which oversees passenger and baggage screening at airports; \$6.9 billion for the Coast Guard; and \$1.1 billion for the Secret Service. It also includes financing for emergency preparedness and defense against biological weapons.

Mr. Byrd's amendment would have increased spending for seaports, the Coast Guard and land transit security by \$602 million; for police, fire and emergency medical teams by \$729.5 million; for border security by \$238.5 million; and for air cargo security by \$100 million.

Democrats vowed to continue pressing their fight, saying they would now bring up each item as a separate amendment to the bill. "You can't protect the homeland on the cheap," said Senator Bill Nelson, Democrat of Florida.

Tighter Cargo Security Proposed (WPost)

Customs Seeks Advance Data on Shipments, Recipients

By Martha McNeil Hamilton and Sara Kehaulani Goo

The Washington Post, July 23, 2003

U.S. Customs and Border Protection proposed stiff new regulations yesterday designed to prevent terrorists from sneaking weapons or operatives into the United States in cargo shipments.

The rules create a system that requires all shippers to electronically transmit information about their goods and the recipients far enough before arrival to allow Customs to determine whether it needs to intensively inspect the cargo.

The system seeks to increase the efficiency of inspections by ruling out "the larger percentage of cargoes that don't pose risks" in order to target those either identified as risks by intelligence or "about which we don't know anything," said Robert C. Bonner, commissioner of the Customs Service, which is now overseen by the Department of Homeland Security. He said Tom Ridge, Homeland Security director, had signed off on the regulations.

The regulations are one step Customs is taking toward improving security at U.S. borders. The agency has always required information on arriving cargo but only after the shipments had arrived. Many shippers had already begun providing information in advance, but the new rules make the procedures mandatory and require that the information be electronically filed into a system that assesses risk management for Customs.

"This is revolutionary in some ways," Bonner said of requiring such information in advance.

About 18 million cargo containers enter the United States every year on trucks and ships, Customs said. The agency did not have a figure that included arrivals by air and rail.

Under the new rules, aircraft arriving from Canada, Mexico, and Central and South America as far south as the equator would have to report their shipments when they lift off, while aircraft arriving from Asia and Europe would need to report four hours before touching down. Railroads would be required to report on their cargo two hours before entering the country. Trucks would have to notify Customs an hour before they arrived, unless they were certified under the Free and Secure Trade program that provides background checks of drivers and outfits trucks with tracking equipment. The regulations also require advance notification on departing cargo, allowing Customs to inspect for cash leaving the country and to help provide security for other nations, a Customs spokesman said.

Ocean carriers have been required since earlier this year to report on their cargoes 24 hours before arriving in port. The proposed regulations would also mandate that those filings are delivered electronically.

Customs said there will be a 30-day comment period on the regulations. The final rule will be submitted Sept. 15 and take effect 15 days later -- a timetable set out in the Trade Act of 2002.

Shippers said it was difficult to gauge the impact the regulations would have on their costs. "It is too early to say this is heinous, good or excellent," said Peter Powell Sr., chairman of the National Customs Brokers & Forwarders Association of America, which has 700 members. "To be sure, business will be done differently," Powell said. He doubted, though, that the regulations would force any businesses to close shop.

FedEx Corp. said it would use the comment period to raise its concerns about the proposed rules. "We still remain concerned that these proposed regulations will hurt the U.S. economy by slowing down critical shipments," said spokeswoman Sandra Munoz, who said the company had not yet seen the regulations. "We believe there could still be some reasonable accommodations to make sure goods can move efficiently."

Bonner said that shippers who failed to comply with the rules would face delays because their cargoes would become subject to intensive inspections. Shippers also could receive penalties ranging from \$5,000 to the value of the cargo.

"The reality is we don't want to shut down our borders," Bonner said. "The question we have been grappling with is how to make sure we have the security that is required without having to inspect everything that comes in at our borders."

Screening Will Be Thorough (USAT)

Op-ed by Maura Harty

USA Today, July 23, 2003

Stopping dangerous people from entering the USA is our top priority. But the State Department must also efficiently document the millions of legitimate visitors who come to our country for business, school, family visits and exchange programs. There is both a tension and a balance between our need to provide for both secure borders and open doors. The eye of a trained officer on a case, making use of the language skills, country-specific knowledge and counterterrorism training he or she has received is a crucial element of our adjudication process. Access to information from other agencies of the U.S. government is also invaluable.

While security has always been a priority, visa screening in the aftermath of Sept. 11, 2001, has become an essential element in our counterterrorism arsenal. We need to focus our resources, however, where they can be most effective.

Starting Aug. 1, we will require that most foreign visitors explain their proposed travel to a U.S. consular officer, who will have reviewed their visa applications beforehand and may have relevant questions to ask. While increasing the number of interviews may delay some applicants, we intend to take this measure in conjunction with others, such as increasing consular staffing abroad and streamlining certain data-entry procedures, to ensure timely processing of legitimate travelers. Our goal is to

work with our partners throughout the U.S. government to give each applicant the scrutiny in an interview appropriate to his or her circumstances, no more and no less.

Most applicants will be able to establish quickly their qualifications for a visa.

Others will be refused due to legitimate concerns that they should not be allowed to come to the United States, either because of security issues or because they do not qualify for a visa under other aspects of U.S. immigration law.

Our Foreign Service officers are highly motivated and trained to do this work that is both our privilege and our duty to perform.

Maura Harty is assistant secretary of State for consular affairs.

Visa Fixes Fall Short (USAT)

Editorial

USA Today, July 23, 2003

The State Department's plans to screen foreign visitors more closely starting Aug. 1 seems like an overdue step to reduce the risks of terrorists slipping into the country.

In the nearly two years since Sept. 11, 2001, upgrades to the nation's system for issuing U.S. visas have lagged other security fixes. In spite of the fact that all 19 of the 9/11 terrorists entered the country on visas - and three never were interviewed first - the State Department has resisted the methodical, clear-eyed approach to closing security loopholes that accounts for today's safer air-travel system.

But now an otherwise promising plan for securing the visa system through more personal interviews is being undermined by the same resistance, coupled with a distressing lack of realism. Troubling questions abound about everything from the agency's readiness to the fallout that could result from enhanced screening without adequate resources to take on the task.

Instead of making U.S. borders more secure, the department risks replacing one flawed program with another that gives the public a false sense of security.

The new system calls for a sharp increase in interviews of visa seekers by U.S. officials. They now personally question fewer than a third of applicants in many countries because consulates have broad discretion to waive interviews.

Such face-to-face meetings are valuable because they allow Foreign Service officers to detect suspicious motives and behavior they would not spot by reading applications. Yet gaps plague the fledgling program:

- Limited resources. The department had just 915 employees abroad to handle the 8.3 million visa requests it received in the 12 months ending last October. While the new regulations will mean far more interviews, the State Department has ordered its 221 consulates to make do with existing resources. A cable sent to consulates in May said: "Posts should not, repeat not, use overtime to deal with additional workload requirements." This month, officials were grilled at a House hearing about the plan, which Rep. Henry Waxman, D-Calif., called "a recipe for disaster."

- Inadequate planning. The department has failed to develop a system to handle the increased workloads. Instead, the May cable merely gave consulates vague guidance to set up appointments for applicants and develop "public relations strategies" to deal with the tighter rules.

- Lengthy delays. Travel industry groups and even the department's own estimates say that the new program could result in lengthy delays. If so, the regulations risk hindering tourism without the offsetting value of tighter security. In South Korea, where a third of 400,000 annual visa-seekers are interviewed, the workload could double, a department spokesman says.

The State Department says it already has beefed up visa screening through more interviews and a computer database of terrorism intelligence. While improvements, the measures don't ensure that the department is ready to take on this further expansion.

Doing it haphazardly or on the cheap is not the answer. Credible screening without unreasonable delays may force visa applicants to pay even more than the current \$100 fee. The war on terror requires sound solutions, not half-measures that merely give the appearance of tighter security.

Putting Out Fires And Keeping The Peace (NYTimes)

Editorial

The New York Times, July 23, 2003

They are called, respectively, New York's bravest and finest. Both the city's Fire and Police Departments have produced a bounty crop of heroes over the years. But put them together and the superlatives can become lost in a historic rivalry that often winds up embarrassing both. Two recent examples were downright petty, with officers and firefighters clashing over how to dislodge a suspected thief from a chimney and how to search for a drowning victim.

Now, with millions of dollars in federal antiterrorism aid at stake, Mayor Michael Bloomberg has ordered a plan for coordinating emergency responses that the commissioners for the police and the firefighters have agreed to accept. It's about time.

These institutions share the job of protecting public safety - an awesome responsibility, but also an invitation to turf battles. While each depends on camaraderie, quick responses and strong individuals, they have drastically different cultures. The police are a structured paramilitary organization. Firefighters are organized around, and seem to owe their strongest loyalty to, the surrogate families of their firehouses.

Nowhere was the missing symbiotic relationship more evident than in the response to the World Trade Center attack. Separate command posts were established, and the police and the firefighters exchanged little information, even issuing separate evacuation orders. Yet in the aftermath, Police Commissioner Raymond Kelly and Fire Commissioner Nicholas Scoppetta rejected the idea that there was a need to set rules for cooperation. It went the way of the 1997 protocols for cooperation, which were signed by Mayor Rudolph Giuliani but never adopted by the Police Department.

Now the city is trying to get the bravest and finest to work together again, under new rules that are being put together by the Office of Emergency Management. We hope the third time's the charm, and that fire and police personnel have begun to understand that their competitive hostility is the sort of thing that needs to be worked out on, say, the softball field rather than on duty.

WAR NEWS:

Hussein's Two Sons Are Killed In Firefight With US Troops (WSJournal)

Deaths Lift Coalition Hopes of Quelling Resistance and Criticism Over Security

By David S. Cloud in Washington and Alexei Barrionuevo in Baghdad, Iraq

The Wall Street Journal, July 23, 2003

American troops killed Saddam Hussein's two eldest sons in a six-hour firefight, a strike the U.S. hopes will undercut resistance from the former Iraqi regime and quiet criticism of American effectiveness in making the country secure.

Uday and Qusay Hussein were killed in a hastily arranged strike after an Iraqi informant disclosed that they were hiding in a relative's house in the northern city of Mosul, U.S. officials said. Their deaths eliminate two of the most feared members of the deposed regime -- No. 2 and No. 3 on the U.S. list of 55 wanted former Iraqi officials. The development was quickly trumpeted by U.S. officials as proof that the former government is gone for good.

"I believe very firmly that this will have an effect," said Lt. Gen. Ricardo Sanchez, the senior U.S. ground forces commander, at a news conference in Baghdad. "This will prove to the Iraqi people that at least these two members of the regime will not be coming back into power."

Although Mr. Hussein himself remains at large, removal of his sons seems likely to have a significant practical and psychological impact. Their elimination may discourage paramilitary forces believed to be behind the almost daily attacks on U.S. forces. Uday Hussein, Saddam's eldest son, had been put in control of the Saddam Fedayeen, a paramilitary force of Saddam Hussein loyalists, before the war, and U.S. officials fear remnants of that force may be behind some recent attacks on American forces.

The death of the sons also may encourage other Iraqis to come forward with information about Mr. Hussein's whereabouts, said U.S. officials, noting that the informant who led them to his sons was likely to receive at least a portion of the \$15 million reward offered for information leading to each of them. Mr. Hussein himself has a \$25 million price on his head.

More Iraqis also may be emboldened to step forward to cooperate with the U.S. forces occupying and rebuilding Iraq. An important focus of American policy in recent days has been to turn more responsibility for security and police work over to Iraqis themselves, to lessen the exposure of American soldiers. But Iraqi insurgents have mounted attacks on some who were working with the U.S., apparently hoping to dissuade them from cooperating and to convince the country's citizens that Saddam Hussein and his sons continued to wield power even while in hiding.

For President Bush, the successful operation provides a much-needed victory at a time when his justification for the war and his administration's preparation for its aftermath have drawn heavy political fire.

In addition to the latest raid, the U.S. military has captured 34 of the 55 Iraqi leaders depicted on the deck of cards passed out by the Pentagon following the war. But the U.S. still faces an enormous task. Even if the elimination of Mr. Hussein's sons leaves the underground opposition dispirited, attacks on U.S. soldiers are likely to continue.

A senior U.S. intelligence official says there is concern that attacks on U.S. targets could increase in coming weeks, as remaining regime loyalists try to demonstrate the deaths haven't diminished their ability to resist. The senior U.S. commander in

Iraq, Gen. John Abizaid recently said that it appeared the U.S. was increasingly engaged in a guerrilla war in Iraq. Since Mr. Bush declared major combat operations over on May 1, 40 soldiers have died in attacks, which coalition officials have said are becoming increasingly sophisticated.

In addition, the rebuilding of the country's infrastructure and restoration of basic services is proceeding slowly, leaving average Iraqis frustrated. Recent taped messages purported to be recorded by Mr. Hussein have only complicated matters. Some Shiite clerics have begun to rally support to push Americans from Iraqi soil and even start an Islamic army. Anti-American demonstrations in Ramadi and Najef have numbered in the thousands.

At home, Mr. Bush's justification for going to war has been dented by White House admissions that he cited now-discredited intelligence reports about Iraq seeking uranium in Africa in his State of the Union address. Just Tuesday, White House officials acknowledged receiving detailed warnings about how unreliable the Africa reports were from CIA Director George Tenet, who had taken the blame for not blocking their use. (See related story)

In recent weeks a team of special-operations soldiers has hunted for Saddam Hussein and his sons while other troops carried out a series of offensive operations designed to root out attackers and gather more intelligence. Military officials in Baghdad say that Iraqis slowly have come forward with valuable intelligence that has led forces to would-be attackers -- mostly Hussein loyalists or former Baath party members -- and to large caches of weapons.

Tuesday's strike in Mosul suggested the U.S. had begun to unravel the mystery of some of the regime's senior members' whereabouts. Mosul increasingly appears to be a key link in that process. Other senior figures from the Hussein regime may have been hiding out there as well, using the city as a jumping-off point to head toward exile in Syria.

Mosul residents say that Hussein loyalists and family members have been moving through under the cover of night, slipping out after a 10 p.m. curfew took most observers off the streets. Residents recall seeing two trucks filled with Fedayeen members leading a caravan of some 20 vehicles out of Mosul one night while the curfew was in effect. The caravan is believed to have gone to Rabiya, on the border with Syria, and then slipped into Syria itself days later.

Defense officials speculated that Uday and Qusay Hussein may have been trying to flee either through Syria or Turkey. Abid Hamd Mahmud Al-Tikriti, Mr. Hussein's presidential secretary, who was captured in June, had told U.S. officials that he and Uday Hussein briefly escaped to Syria following the collapse of Baghdad. But they were thrown out of the country, said defense officials.

There have been reports in recent months that the sons were trying to work out a deal to go into exile. U.S. officials made it clear publicly, however, that they had little interest in negotiating any deals with the two sons. The White House Tuesday called their deaths "positive news."

Uday, 39 years old, and Qusay, 37, weren't believed to get along well. Some who are familiar with the family speculated that the fact that they were together may indicate that they were meeting to regroup and reorganize their followers.

Of the two sons, Qusay played the more important role in the former regime. Though the younger of the two, he was the heir apparent to Saddam Hussein and had assumed oversight of all Iraqi intelligence and security services, the Republican Guard, and the Special Republican Guard. He was deputy of the Baath Party's Military Bureau, U.S. officials said. Remnants of that Baath party military organization are suspected of being behind some recent attacks.

Uday was editor of the influential Babil newspaper and had control of all other Iraqi media. He also was chairman of Iraq's Olympic Committee, a position that he used to expand his own circle of fear and to intimidate others. But his violent and unpredictable behavior had led Saddam Hussein to reduce his role in recent years.

The informant who told U.S. authorities about their whereabouts came forward Monday night. A small U.S. combat team that approached the house Tuesday morning called for reinforcements after taking small-arms fire. There were two other Iraqi casualties, including a teenage boy who is believed to be one of Qusay Hussein's four children and a bodyguard. Four American soldiers were wounded in the gunfire.

A U.S. intelligence official said there was evidence the group had been hiding for weeks in the house. The bodies, which one official said had been "shot up pretty badly," were flown for identification to Baghdad International Airport, which the U.S. is using as a base. U.S. officials said DNA testing on the bodies had not been completed. But Gen. Sanchez said there was no doubt about their identities. "We've used multiple sources to identify the individuals," he said.

US Kills Hussein's Sons In Firefight At Mansion (LATimes)

An informant's tip triggers a six-hour siege. The deaths of Uday and Qusai spark celebration - and a hope resistance has been weakened.

By John Daniszewski

The Los Angeles Times, July 23, 2003

MOSUL, Iraq - Acting on a tip from an Iraqi informant, U.S. forces backed by rocket-firing helicopters stormed a luxury home on the outskirts of this northern city on Tuesday. After a six-hour operation they removed the bodies of two of the most hated and feared men in Iraq: Saddam Hussein's sons Uday and Qusai.

Two other Iraqis were killed in the assault. Residents of the neighborhood said they were a bodyguard and a teenager, believed to be Qusai's son. U.S. officials said they were still unsure of that pair's identity.

But Lt. Gen. Ricardo Sanchez, the American commander in Baghdad, said they were sure about Hussein's sons.

"We are certain that Qusai and Uday were killed today," Sanchez said at a news conference. "The bodies were in such a condition where you could identify them."

The two brothers ranked second only to their father in the deposed regime and shared his reputation for the brutal exercise of power. They were Nos. 2 and 3 on the list of most-wanted Iraqis compiled by the U.S. military. In recent weeks, the Pentagon offered \$15 million for information leading to the capture of each brother.

The deaths of Uday, 39, and Qusai, 37, mark a strong blow to the morale of fighters from the former regime still resisting the American-led occupation, U.S. defense officials said. The resistance movement has been fueled in part by rumors that Hussein and his sons were alive and directing the battle.

News of the killings spread rapidly across Iraq. Red, white and green tracers were visible across the moonless Baghdad skyline as many residents went to their rooftops or yards to fire automatic weapons in celebration. But some members of the public vowed that the death of the pair would not end the resistance to the U.S.-led occupation.

In Washington, L. Paul Bremer III, the top U.S. civilian administrator for Iraq, told reporters during a visit to Capitol Hill: "It's a great day for the Iraqi people and a great day for the American military, who showed their astounding professionalism in this operation."

President Bush "was pleased to hear the news," White House Press Secretary Scott McClellan said. "Uday and Qusai were two leaders of a very brutal regime, and this is further assurance to the people of Iraq that the regime is gone and will not be back."

Bush is scheduled to discuss operations in Iraq during an appearance in the Rose Garden this morning.

As pieced together from witnesses and military spokesmen in Mosul, Tuesday's action began before 9 a.m. when troops of the Army's 101st Airborne Division surrounded the imposing columned house of wealthy businessman Nawaf Zaidan, who claimed kinship to Saddam Hussein and reputedly had been involved in business dealings with the two sons.

According to Brig. Gen. Frank Helmick, deputy commander of the 101st Airborne, the division had received "actionable intelligence" the night before that "high-ranking members of the former government" were using the home. In Baghdad, Sanchez said an unidentified Iraqi had approached U.S. forces with the information.

A witness at the scene said a small group of soldiers took Zaidan into custody and put him in an Army vehicle near the house with his hands bound in plastic cuffs. Zaidan was heard urging the soldiers not to search the house because they would meet fierce resistance.

While the discussion was taking place, gunfire erupted from the house directed at the soldiers. The small-arms fire began from the roof and then came from the rest of the building. The soldiers called in scores of reinforcements.

U.S. troops stormed the abandoned first floor of the house but were initially unable to penetrate the "hardened" second floor, where the Iraqis had barricaded themselves behind bulletproof windows and other materials, defense officials said.

"We proceeded to wear away at their will to resist until the point came, late in the day, where we entered their house," said Maj. Hugh "Trey" Cate, a public affairs officer for the 101st Airborne. That was around 1:30 p.m., he said.

Helmick said that when the people barricaded inside did not surrender in the face of small arms and .50-caliber machine guns, "we had to use bigger caliber weapons." Brought to bear on the house were wire-guided TOW missiles, rockets fired from Kiowa OH-58D light assault helicopters and Mark 19 automatic grenade launcher systems.

The resulting mismatch was exactly what the Army wanted, Helmick said. He expressed pride in the accuracy of the fire, which decimated Zaidan's house but left other buildings in the neighborhood unscathed except for broken windows and bullet and fragment holes in their rooftop cisterns.

"Doggone it, Americans should be proud of these soldiers," he said.

Helmick said the troops were careful to avoid harming a large mosque across from the Zaidan residence. At the time the siege of the house began, the soldiers set up a cordon in the neighborhood, stopping people from attending noon prayers at the mosque for their own safety.

Ahmad Shakur, a local journalist who had watched the siege while lying on the ground near the mosque, said that for several hours it was "a battle zone." Ten rockets were fired from the Kiowa helicopters, he said. Soldiers said at least 13 TOW missiles were fired as well.

Four American soldiers were wounded in the assault, and two Iraqis in the surrounding Al Falah neighborhood were killed.

After the guns inside the house fell silent, U.S. forces entered the premises. Witnesses said four bodies were carried out, three in sheets or blankets and one by his hands and legs. The corpses were loaded onto a helicopter and flown away, they said. Hours after the battle, the asphalt outside the home was littered with shell casings from the .50-caliber machine guns that ripped into the heavy concrete casing of Zaidan's home.

Shakur said soldiers and plainclothes officials removed computers, televisions and other items from the house, apparently seeking further clues in the hunt for other top officials of the former regime, including Saddam Hussein, who authorities believe is alive and most likely hiding in Iraq. The U.S. has offered a \$25-million bounty for the older Hussein.

Defense officials would not confirm whether the reward for the death of the sons would go to the Iraqi who led U.S. forces to the Mosul house, but Sanchez said the money would "probably" be paid out. One defense official said of the informant: "He's potentially \$30 million richer."

Leery of being proved wrong, U.S. officials were initially cautious Tuesday about declaring that two of the dead were Hussein's sons. The bodies were flown to the town of Baiji, about 100 miles to the south, Sanchez said. DNA samples were taken for comparison with samples previously obtained.

But several Iraqis who knew Uday and Qusai were shown the bodies during the day, including Saddam Hussein's top bodyguard and advisor, Abid Hamid Mahmud Tikriti, who was captured by U.S. forces last month, a State Department official said.

Mahmud was the top former regime official to verify the identities of the two bodies, said the official, who requested anonymity.

The sons could be positively identified by DNA testing in little more than a day, depending on the level of statistical certainty that officials sought in making the identifications, said professor James Starrs, a forensic science specialist at George Washington University.

A U.S. official in Washington said that in addition to the tip from the Iraqi, Tuesday's raid was "prompted by a variety of kinds of intelligence," suggesting that the U.S. had intercepted communications or imagery that helped pinpoint the location.

"There are multiple things which led us to believe there might be somebody there, multiple 'ints,'" the official said, using spy community shorthand for signals, imagery and human intelligence.

Though soldiers at the site of the shootout were under orders not to speculate on who had been inside, they had a hard time suppressing their excitement about being a part of getting two top targets of the U.S. military.

"I think the soldiers are pretty pumped up. It's good to accomplish a mission and not lose a life," Cate said. "Anytime you do something big and important for the coalition and for its success in the country, that would make anyone happy."

"It'd be good" if the dead were Hussein's sons, said Maj. Frank Sturek, executive officer of the 101st Airborne's 2nd Brigade, before the deaths were announced. "That may stop some of the violence" against U.S. forces, he said.

Hundreds of Iraqis from the neighborhood congregated throughout the day on the other side of the barbed wire to watch the Americans and glare at the heavily damaged house, its carved columns now blasted down to reveal the reinforced steel bars inside the concrete. Window frames hung askew and the interior was charred.

When asked about the possible deaths of Uday and Qusai, people in the crowd gave mixed responses.

"Even if Saddam Hussein is dead, half of Iraqis will be Saddam Husseins!" shouted one man, before walking away.

Another man, who gave his name only as Abu Ibrahim, disagreed. "Saddam Hussein killed millions of people," he said. "The homeland is more important to us than any single person."

Zaidan, the owner of the house, is the brother of Salah Zaidan, leader of the Bajat tribe in Iraq. Hussein, like the Zaidan brothers, is a member of the Albo-Nasr branch of the Bajat tribe.

Although the Hussein family and the Zaidans are linked by those tribal associations, several neighbors said the Zaidans had been persecuted by the former regime under a law that made it illegal to claim kinship to Saddam Hussein.

Despite that apparent conflict, neighbors also said that Nawaf Zaidan's relations with both brothers had been cordial in recent years and that his economic fortunes had improved commensurately. They said Zaidan was the contractor for a massive mosque that Saddam Hussein ordered built in Mosul, the nation's third-largest city.

Mosul, an ethnically diverse city bordering the autonomous Kurdistan region, is well out of the "Sunni triangle," the region north and west of Baghdad where resistance to the U.S.-led occupation has been strongest.

One of the U.S. Army noncommissioned officers helping to secure the Zaidan home after the gun battle said he believed that he may have seen Uday Hussein in the same part of town Monday, riding in a dark-green or blue BMW next to his Humvee.

Sgt. Joshua Gilbreth of Fresno said he noticed the man looking at him, and when Gilbreth stared back, the man smiled and waved, and then the car sped away. At the time, Gilbreth thought he recognized the man as Uday, because he had been handing out wanted posters. He told his buddies right away, he said, but they all thought that he was joking.

A dark blue BMW sedan was parked in front of Zaidan's house Tuesday, riddled with bullets from the fierce gun battle.

"I went over and looked at it," Gilbreth said, "and I think it's the same car."

Times staff writers Esther Schrader, Robin Wright, Aaron Zitner, Greg Miller and Maura Reynolds in Washington and John Hendren and David Zucchini in Baghdad contributed to this report.

Elimination Of Infamous Duo May Help Stabilize Iraq (HOU)

By MICHAEL HEDGES

The Houston Chronicle, July 23, 2003

WASHINGTON -- American forces killed Saddam Hussein's two sons in a fierce firefight in the northern Iraq city of Mosul on Tuesday, eliminating the men officials believe inspired the guerrilla attacks on U.S. soldiers and inhibited efforts to stabilize the country.

Uday Hussein, 39, was in charge of the black-clad Fedayeen troops who attacked U.S. soldiers during and after Operation Iraqi Freedom, while Qusay Hussein, 37, led Iraq's secret police and Special Republican Guards who are also suspected of taking part in bushwhacking troops in recent weeks.

The brothers, along with a bodyguard and a teenage boy believed to be Qusay's son, were killed by troops of the 101st Airborne Division and Special Forces after being surrounded in the home of a Mosul contractor.

The soldiers were acting on a tip from an unidentified local man who officials said would be in line to collect a \$15 million bounty placed on the heads of the brothers, rated the most crucial targets in Iraq except for their father.

Lt. Gen. Ricardo Sanchez, who commands coalition forces in Iraq, said the Iraqi leaders were surrounded and killed in a six-hour gunbattle that began after soldiers approaching the house were fired upon. Four soldiers were wounded and were expected to recover.

Asked if he believed the deaths of Uday and Qusay Hussein would begin to blunt the guerrilla attacks against Americans, Sanchez said, "I believe very firmly this will have an effect. This will prove to the Iraqi people that at least these two members of the regime are not coming back to power."

The killings of the brothers are also likely to further isolate their father, if he is still alive, officials said. According to some reports, Saddam may have a third son, but he did not play a major role in the regime. Saddam also has three daughters.

Pentagon officials said they were encouraged that the information leading to the raid came from an Iraqi tipster, convincing them that lavish rewards offered for Saddam and others will eventually bear fruit. A \$25 million reward for Saddam's capture has been widely publicized in Iraq.

After the firefight, the bodies of Uday and Qusay were rushed to Dubai, where, according to officials, forensic evidence confirmed the identities. Sanchez said the bodies were "in a condition where you could identify them."

President Bush did not directly comment on the deaths. A White House statement said, "We were pleased to learn from the Department of Defense of today's action against Uday and Qusay Hussein. Over the period of many years, these two individuals were responsible for countless atrocities committed against the Iraqi people and they can no longer cast a shadow of hate on Iraq."

L. Paul Bremer, who is overseeing U.S. efforts to rebuild Iraq, told reporters in Washington, "This is a really great day for the Iraqi people."

He noted that some Iraqis fired weapons into the night sky to celebrate the killings. "The fact that Baghdad was lighted up with celebratory fire tonight shows you how important this is in meeting the real desires of the Iraqi people to be rid for once and for all of Saddam Hussein, his sons and his odious regime."

That view was echoed by Iraqis who are part of the U.S.-backed provisional government there. "This will contribute significantly to reducing attacks on coalition soldiers," said Ahmad Chalabi, a delegate from the Coalition Provisional Authority, speaking at the United Nations.

The operation began after an unidentified Iraqi approached American soldiers in Mosul, and said that a local Sunni man who may be a cousin of Saddam had been hosting the ousted leader's sons, officials said.

Rumors of Saddam or his sons hiding out in Mosul had circulated for months. But this tip was specific and credible enough that officers felt it should be checked.

Early on Tuesday, about 200 soldiers from the 101st Airborne Division backed by Special Forces troops surrounded the expansive stone house. When they approached the entrance, they were fired upon, Sanchez said.

The American response was lethal. The troops, firing heavy machine guns and rocket launchers, pumped rounds into the building. Helicopter gunships and other aircraft circled overhead, according to some witnesses.

"They died in a fierce gunbattle," Sanchez said. "They resisted the detention and the efforts of coalition forces to go in there and apprehend them."

Of the brothers, Uday Hussein was an almost mythical figure of senseless brutality in Iraq dating back to his youth. His appearance at Baghdad's Al Rashid Hotel or at chic clubs in the city's Mansour district along the Tigris River could intimidate a lively crowd into silence, then provoke tales of his atrocities after he departed.

The State Department described him as having, "a history of extreme violent behavior including murder, torture and rape of women and girls."

In recent years, Qusay replaced his brother as first in line to take control of the Baath Party after his father's death. More reclusive and less flamboyant than his brother, Qusay was considered even more efficiently deadly by U.S. intelligence officials.

Republicans and Democrats acknowledged the killings of Saddam's sons as an important development in the Iraqi conflict.

"Well, I think it's important. Obviously, no one can underestimate the value of the developments today if they are found to be accurate," said Senate Democratic leader Tom Daschle, a persistent critic of the Bush administration's war efforts. But he added, "To win the peace, we need more help. ... This doesn't change that."

Sen. John Cornyn, R-Texas, who recently visited Baghdad, said, "The largest obstacle to a free and prosperous Iraq is that many people there still live in fear of Saddam and his sons. With today's news we are two steps closer to removing that fear."

Some experts were surprised that the brothers were in Mosul. Iraq's third largest city, Mosul is a sprawling complex of shops and light industry where Kurds, Assyrian Christians and Sunni Muslims live in an uneasy system of interlocking political and social alliances. It is an ancient city, across the Tigris River from the Biblical city of Nineveh. In modern times, the Mosul region has been dominated by the Kurds who were repeatedly attacked by Saddam's regime, making it seem an unlikely hiding place for Uday and Qusay Hussein.

But even after the fall of Baghdad this spring, it was clear that pockets of Saddam loyalists were holding out in Mosul, especially near a massive Republican Guard base seized by American troops in May. The soldiers faced nightly harassing fire, and occasionally struck back in raids that killed a few black-robed guerrillas.

Middle East and intelligence experts were unanimous in describing the deaths of Saddam's sons as potentially a pivotal moment in modern Iraq history, while warning that U.S. troops in Iraq still face danger.

Former top CIA official Vincent Cannistraro said the deaths could provoke some short-term retributive attacks on Americans, but in the longer term would help crush the remnants of Saddam's Baath Party.

"It is a morale boost for American troops and intelligence officials to get them," he said. "They are potent symbols of the old regime."

Bill Taylor, an analyst with the Center for Strategic and International Studies in Washington said: "This could change overnight the view in some parts of the world that the U.S. is foundering in Iraq. And I strongly believe these ambushes against U.S. soldiers in Iraq are being conducted by guerrillas who were beholden to the two sons. This could take the steam out of that."

Jim Philips, a Middle East expert for the Heritage Foundation, a Washington think tank, said it is likely there are still many dangerous days ahead for U.S. soldiers in Iraq. But the killings of Uday and Qusay marked an "important victory" he said.

"Saddam's regime was a family-run enterprise, a tribal mafia," Philips said, adding:

"This sends a very important message to the Iraqi people and others in the region that they don't have to be looking over their shoulders waiting for the Baathists to return."

Saddam's Sons Killed In Iraq Gun Battle (FT)

By Peter Spiegel in London and Charles Clover in Baghdad

The Financial Times, July 23, 2003

Saddam Hussein's eldest sons, Uday and Qusay, were killed in a fierce gun battle on Tuesday when US forces attacked a house in northern Iraq, a senior American general said on Tuesday night.

"We're certain that Uday and Qusay were killed," Lieutenant General Ricardo Sanchez told a news conference in Baghdad. "We've used multiple sources to identify the individuals."

The raid in the town of Mosul, which led to a six-hour gun battle between US forces and a handful of Iraqis inside the house, came after soldiers received what the Pentagon described as "reliable" information that senior members of the former dictator's regime were in the house.

Gen Sanchez said the tip came from a "walk-in" on Monday night, and the reward of \$15m for each son offered by the Coalition Provisional Authority would probably be paid.

Two other Iraqis were also killed in the attack on the sprawling, two-storey house which US officials said belonged to a relative of Mr Hussein. At least five other Iraqis were wounded in the battle and four US soldiers were injured.

Gen Sanchez said the four Iraqis were killed after resisting US demands that they surrender. He promised to provide additional details on Wednesday which would prove the two sons of Mr Hussein were dead.

"I believe very firmly this will prove to the Iraqi people that at least two members of the regime will not be coming back into power," he said.

The bodies of the four people killed in the attack were quickly taken from the house to be identified. Donald Rumsfeld, US defence secretary, briefed George W. Bush, the president, shortly after the raid that troops on the ground believed they had killed the two sons.

Mosul and the villages to its west have long been suspected by US and Kurdish intelligence to be harbouring senior members of the former dictator's Ba'athist party. General John Abizaid, the head of US central command, said last week that a loose, regional command-and-control structure of Iraqi guerrillas was being rebuilt in the town.

Mosul has been mainly calm after April's war, but its predominantly Sunni population and sheer size made it a potential hiding place. Although US officials suspect that Mr Hussein himself is still alive and hiding inside Iraq, the killing of his sons will be a blow to irregular Iraqi forces, which American military leaders believed were regrouping in central and northern Iraq. Qusay was widely seen as the probable successor to his father, usurping his erratic older brother Uday who, US intelligence officials say, was eased aside after killing officials close to Saddam.

The demise of the two heirs is the biggest success for US troops since Mr Bush declared the end of major combat on May 1. The Bush administration and its allies have come under increasing pressure because of troops' failure to find weapons of mass destruction in the country.

British Prime Minister Tony Blair on Wednesday described the death of Saddam's sons as a "great day for the new Iraq".

Speaking in Hong Kong during his Asia-Pacific tour, Mr Blair said: "These two particular people were at the head of a regime that wasn't just a threat because of its weapons programme, but was also responsible for the torture and killing of thousands and thousands of innocent Iraqis."

Plans for an international police force of about 7,000 officers to support the military in Iraq are being discussed by officials in the US-led coalition.

A Major Strike At Hussein's Inner Circle (CSM)

Sons Uday and Qusay Hussein were killed Tuesday in a raid by the 101st Airborne Division.

By Howard LaFranchi and Faye Bowers

The Christian Science Monitor, July 23, 2003

WASHINGTON - The deaths of Saddam Hussein's two "most-wanted" sons in an attack by US forces Tuesday brings a major morale boost both to US troops and to Iraqis beginning to doubt that the old regime was gone for good.

The US military said Tuesday it had confirmed that Mr. Hussein's two sons, Qusay and Uday, had been killed in a fierce gun battle in the northern city of Mosul. US forces raided a villa in the city after receiving a "walk-in" tip that the two sons were holed up there, said Lt. Gen. Ricardo Sanchez at a news conference in Baghdad. He added that the US expected to pay the \$15 million reward offered for information leading to the death or capture of each of Hussein's sons.

Given the notoriety among both Iraqis and Americans of the two sons, their deaths are seen as an important boost to morale. They are also seen as a sign that the capture or killing of Hussein may not be far off. He is believed by US officials to be on the run, but possibly directing the guerrilla-style warfare coalition forces are encountering.

Hussein's sons are nationally famous; Uday, was widely feared for his well-known cruelty, and Qusay, was one of the former Iraqi regime's most trusted and influential personalities.

Their deaths are evidence that US forces "are stripping away the places where [Hussein] has been or could be hidden," says Judith Yaphe, an Iraq expert at the National Defense University in Washington. "It sends a clear message that we are here and we will get you."

That will be significant not just to the US, Ms. Yaphe adds, but perhaps more importantly to Iraqis themselves, who know and lived with the sons' rule. This "will encourage those who ... hate the [Hussein regime] but have been afraid to come out," she says. "They have been frightened that they would come back."

While no one is predicting the daily attacks on US forces will stop, some analysts say the demise of the former Iraqi leader's sons should take the wind out of the sails of the pro-Hussein forces who thought the US might be driven away.

Hours after the raid in Mosul, gunfire erupted throughout Baghdad - perhaps in celebration of the news.

"A lot of the resistance, shooting, and ambushing of US forces has been going on by Baathist [Party] and former Iraqi military under Hussein [who] thought Saddam would fight his way back into power," notes Stanley Bedlington, a retired senior analyst from the CIA's Counterterrorism Center. "The fact that Qusay and Uday have been killed ... has obviously removed that prospect. There's no doubt that this is a major blow to those who still support the Baathist regime."

Despite being the younger of Hussein's two sons, Qusay was said to be first in line to succeed his father. He oversaw Iraq's intelligence and security services, including the notorious Special Republican Guard, and in 2001 was named deputy of the Baath Party's military bureau.

Uday was instrumental in putting down threats to his father's regime. He used blackmail, torture, imprisonment, and even murder to eliminate real or perceived enemies. He ordered the killing of thousands of inmates throughout the 1990s, and put the lid on a Shiite revolt in 1997. He survived an assassination attempt by two Iraqi military officers in 1996.

The killings of Hussein's two sons also provides a much-needed boost to US intelligence circles, which have been laboring under clouds of doubt for their inability to locate either Hussein or Osama bin Laden.

Sources say that US spies have been on the trail of Hussein and his two sons, getting closer and closer in the past few weeks. Most recently, intelligence officials had been monitoring the house in Mosul where Tuesday's raid took place.

"It seems that US forces have acted on solid intelligence that some high-value targets were meeting in the Hai Fallah neighborhood of Mosul," says Hoshiyar Zebari, a member of the Kurdish Democratic Party and acting member on Iraq's new governing council. "It will be a demoralizing blow to the remnants of the ex-regime who are showing some signs of continuing resistance and fighting to force the Americans to withdraw and encouraging people to stand up to the occupation."

While analysts say this is not quite the same as getting Hussein, they believe this news is already having an impact throughout the region, where opinion had started to wonder if Hussein and his regime might indeed return.

"Of course we need to get Saddam," says Mr. Bedlington, "but this is all over Al Jazeera and other Arabic networks already and it will be all around the Middle East.... To other Middle East regimes," he adds, "it will be a message that those who rule in a tyrannical manner may expect their end to come sooner or later."

Says Mr. Zebari, "I think the net is closing on Saddam."

US Lowered Its Sights In Iraq Search (WPost)

Information on Fugitives Poured In After Military Turned Focus to Mid-Level Operatives

By Thomas E. Ricks

The Washington Post, July 23, 2003

BAGHDAD -- After weeks of difficult searching for the top targets on the U.S. government's list of most-wanted Iraqi fugitives, U.S. military commanders two weeks ago switched the emphasis of their operations, focusing on capturing and gathering intelligence from low-level members of former president Saddam Hussein's Baath Party who had been attacking American forces, according to military officials.

That shift produced a flood of new information about the location of the Iraqi fugitives, which came just before the attack in which Hussein's two sons were killed by U.S. forces in the northern city of Mosul, the officials said.

"We shifted our focus from very high-level personalities to the people that are causing us damage," Gen. John P. Abizaid, the new commander of the U.S. military in the Middle East, said in an interview last weekend. Later, he told reporters in Baghdad: "In the past two weeks, we have been getting the mid-level leadership in a way that is effective."

The captured Baathists provided much new detail about their organization and contacts, officials here said. Some gave information about their financing and their means of communication, they added. Others identified members of their networks. Some described the routes and contacts that fugitive leaders were using. Threats to ship the recalcitrant captives to the U.S. detention facility at Guantanamo Bay on the eastern end of Cuba were especially helpful in encouraging them to talk, officials said.

"You get a tip, you pull a couple of guys in, they start to talk," a Central Command official said. Then, based on that information, he continued, "you do a raid, you confiscate some documents, you start building the tree" of contacts and "you start doing signals intercepts. And then you're into the network."

"The people are now coming to us with information," Maj. Gen. Raymond T. Odierno, commander of the Army's 4th Infantry Division, told Abizaid in a briefing this week at Odierno's headquarters in Tikrit, Hussein's home town. "Every time we do an operation, more people come in."

The 4th Infantry, operating in a region dominated by Iraq's Sunni Muslim minority, which was a major base of Hussein's support, conducted an average of 18 raids a day in recent weeks, he added.

The number and breadth of those follow-up raids also encouraged Iraqis who had been fearful of Baathist retaliation to speak up, officials here said.

Army Lt. Gen. Ricardo Sanchez, the commander of U.S. forces in Iraq, said at a Baghdad news conference at which he confirmed the deaths of Hussein's sons that the Mosul raid resulted from "a walk-in" Monday night who "gave us the information that those two individuals were in that residence."

Until early June, when the Army launched the first of three major offensives in the an area known as the Sunni triangle north and west of Baghdad, U.S. officials didn't fully grasp the extent of Baathist resistance in the area, one Army official said.

The first offensive, dubbed Peninsula Strike, wasn't aimed so much at Baathists as at hostile remnants of the Iraqi military that remained active in the Sunni town of Thuluya, on the Tigris River between Baghdad and Tikrit. Yet when captives from that operation, from June 8 to 15, were interrogated, they began shedding unexpected light on the role that Baath Party operatives were playing in the region in supplying weapons, recruiting fighters and financing attacks on U.S. troops and bases, officials said.

Later in June, the next offensive, Desert Scorpion, began with scores of simultaneous raids aimed at, among other things, shutting down escape routes available to the former Iraqi leaders. It also went after the secret hoards of cash and jewelry that were financing their operations, and it sought to gather more information about the size and structure of Baathist resistance in the Sunni triangle.

That series of raids yielded information on what analysts said was a surprisingly large network of Hussein loyalists. "We call it the gang of 9,000," said a senior Army official, adding that that figure was just an estimate of the number of Baath Party operatives, former intelligence functionaries and their allies active in the Sunni region and in Baghdad.

As a result, U.S. commanders changed their minds about sending the entire 3rd Infantry Division home, as they had hoped to do by the end of last month. "As we began to see the extent of Baathist pockets in the Sunni triangle, it became clear that we couldn't draw down forces as quickly as we liked," said a senior Central Command official.

The raids also led to a sharp increase in U.S. casualties in June, with a soldier dying nearly every day. This official estimated that close to 60 percent of U.S. casualties came in the course of offensive operations by the U.S. troops or Baathist responses to those attacks.

The third offensive, Soda Mountain, conducted this month, was the first aimed at capturing and interrogating the resistance leaders – the mid-level Baathists who U.S. officials had come to believe were behind most of the attacks on American forces. That operation began with a smaller series of raids by the 4th Division, called Ivy Serpent.

The mid-level operatives who were captured turned out to be knowledgeable about how the top targets on the U.S. list were evading capture. "There was a snowball effect," a senior Army official said.

Put together, the information helped breach the wall of protection around Hussein and his sons, a U.S. official said this week. He said the information the United States now has is far more solid than that which led to last month's Special Operations raid near the Syrian border. U.S. officials initially thought that raid might have hit Hussein or people close to him, but it appears only to have damaged the smuggling network that was being used by fugitives to travel in and out of Iraq.

Despite their recent success, U.S. military officials here caution that the fighting is far from over, and they predict that the nature of the attacks could worsen. They worry that the more they succeed, the more desperate Baathist remnants will become. So, they fear, the next phase of attacks might rely more on car bombs and other terrorist methods than on direct attacks on U.S. forces. Two officials here this week, for example, expressed concern about the possibility of an Oklahoma City-like bomb attack on U.S. officials and Iraqis working with them in the capital.

Hussein's 2 Sons Dead In Shootout, US Says (NYTimes)

By NEIL MacFARQUHAR

The New York Times, July 23, 2003

BAGHDAD, Iraq, July 22 - Acting on a tip from an Iraqi that Saddam Hussein's sons, Uday and Qusay, were holed up in a palatial residence in the northern city of Mosul, United States troops surrounded the house today and killed the two men in a ferocious shootout that gradually shredded the walls providing them cover.

Soldiers from the 101st Airborne Division as well as Special Operations forces called on the men to surrender and were answered with a peppering of small-arms fire, Lt. Gen. Ricardo S. Sanchez, chief of land forces in Iraq, said at a late-night news conference.

"They died in a fierce gun battle," he said. "They resisted the detention and the efforts of the coalition forces to go in there and apprehend them, and they were killed in the ensuing gunfight and the attacks that we conducted on the residence."

A senior defense official said Apache helicopters, A-10 Warthogs and fighter aircraft were called in to lend support.

The bodies of the two men, along with two others, were flown to Baghdad International Airport, the headquarters of the United States military in Iraq, where they were identified. The bodies were physically recognizable, General Sanchez said, adding that "multiple sources" had been used to confirm the identities.

General Sanchez said the other two bodies had yet to be identified, although Arab satellite television reports said one was the teenage son of Qusay, Mustapha, and the other was a bodyguard who had traveled with Uday since he was incapacitated by an assassination attempt in 1996.

Government officials in Washington also said the teenager might be Qusay Hussein's 14-year-old son, although they did not give the son's name and emphasized that there had been no final determination of the identity. The officials also said the fourth person might have been a bodyguard.

A retired Iraqi general who lived near the house said he thought others might have been involved in the gun battle and either escaped or were arrested.

The deaths eliminate two of the most wanted members of the former Iraqi government after Saddam Hussein himself, who United States officials believe remains in Iraq. Qusay was second on the playing-card list of the most wanted as the Ace of Clubs, and Uday was third as the Ace of Hearts.

Analysts believe the deaths may diminish but not eliminate attacks that have killed 40 American soldiers since President Bush declared the end of major combat on May 1. Four American soldiers were wounded in the gunfight today.

There was a \$15 million reward posted on the head of each man, which General Sanchez said would be awarded. He did not identify the person who turned in the two men, but Kurdish officials said the likely source was the owner of the house where they were staying.

One Kurdish intelligence official said today that the two sons were seen - and filmed - getting out of a car and racing into a house around 9 a.m. today. The film was quickly handed over to the American military, who confirmed the identity of the men, he said.

Both sons were important lieutenants for the deposed president.

Qusay, 37, the younger, calmer brother, ran his father's security detail, the Special Republican Guards, and various intelligence agencies. A stockier version of his father, he rarely appeared in public. Televised meetings of the Revolutionary Command Council often showed him sitting at his father's elbow in impeccably tailored suits, taking notes on his father's every word.

The more flamboyant Uday, 39, was an infamous playboy feared for his sadistic, murderous bent, who organized the Saddam Fedayeen, giving pardoned criminals a new lease on life if they would kill for the government. They were the main guerrilla force that battled the advancing American Army.

Uday became increasingly unstable in public after beating to death his father's favorite servant in 1988, and was gradually discounted as a successor. He had a high public profile, though, as a member of Parliament, head of the most popular newspaper and television station plus chairman of the national Olympic Committee, whose basement was used a center of torture and rape. In a referendum on his father's rule last fall, Uday drove to the polling place in a pink Rolls Royce.

Although some Hussein loyalists either paid or prodded by his sons are suspected of killing American soldiers, the attacks are also likely to be the work of Iraqis opposed to the very idea of occupation, tribal members bent on revenge for dead relatives and fanatics who believe Islam is at war with the West.

General Sanchez said he was sure the deaths would make a difference, though. "I believe very firmly that this will in fact have an effect," he said. "This will prove to the Iraqi people that at least these two members of the regime will not be coming back into power."

In the continuing attacks, one American soldier was killed and one was wounded in an ambush today north of Baghdad, the United States Central Command announced. The attackers fired rocket-propelled grenades and small arms at the vehicle carrying the men on the road between Balad, 50 miles north of Baghdad, and Ramadi.

In another incident, the International Committee of the Red Cross said one of its technicians was killed and a driver was hospitalized after their vehicle was fired on near Hilla, south of Baghdad.

Most Iraqis will be relieved that Mr. Hussein's two most likely successors have been eliminated as the manhunt for others continues. More gunfire than usual erupted across Baghdad as Iraqis started celebrating the news.

General Sanchez said catching or killing everyone on the wanted list remained an important goal, noting that American forces were still combing the Mosul neighborhood in hopes of gaining information about Saddam Hussein's whereabouts. The Special Operations forces involved were members of Task Force 20, the elite unit charged with hunting down top targets, senior American military officials said.

Some Iraqis could not quite believe the two sons were dead. "I don't think it is possible, but if it is true, they deserved whatever happened to them," said Omar Salam, 22, eating his dinner at a roadside cafe as people fired guns all around him.

Not all the reaction was positive, however. The correspondent for Al Jazeera, the Arab satellite television network that has been a staunch critic of the war, described the two men as having been killed "in cold blood," and one analyst brought on to comment called the method of their deaths a "crime."

General Sanchez said a full account of the assault by the 101st Airborne Division and the Special Forces, also aided by the Air Force, would be given Wednesday. It was unclear what types of pictures or other materials might be presented to convince Iraqis that the two men had been killed.

Several neighbors and Kurdish officials gave various accounts of the events.

Soon after receiving the tip, troops from the 101st Airborne surrounded the house around 10 a.m. and used a loudspeaker to warn whoever was inside to give themselves up, said a neighbor, Ali Jajawi, a retired Iraqi general whose house sits about 100 yards away. The response was gunfire, the boom of high-powered weaponry shattering the calm for three hours, he said. He said the amount of gunfire could mean there were some bodyguards who escaped. He said he had seen two men arrested at the house and said two of the bodies removed had beards.

Neighbors saw the owner of the house, Nawaf al-Zaydan, and his son Shahlan sitting in American vehicles. People asked him what had happened and he told them that Uday and Qusay Hussein were inside the house. He had gone to bring breakfast for them, he said, when the Americans arrested him.

Neighbors found it strange that he appeared totally calm and was smoking in the car, General Jajawi said, even as the battle gradually wrecked the walls of his house.

Farhan Sharafani, a tribal leader and a member of the Kurdish Parliament, said there was a widespread belief that Mr. Zaydan had turned the men in to avenge a slight.

Both Mr. Zaydan and his brother Salah had been prosecuted by the former Iraqi government under a law promulgated several years ago making it illegal to claim kinship with the president's family. They claimed they were part of the Abu Nasser tribe, Mr. Hussein's tribe, and were jailed for it, said Ghazi Ajil al-Yawar, a member of Iraq's Governing Council from Mosul. They had been released only under the general amnesty declared last October.

With Hussein's Heirs Gone, Hopes Rise For End To Attacks (NYTimes)

By ERIC SCHMITT and THOM SHANKER

The New York Times, July 23, 2003

WASHINGTON, July 22 - The deaths of Saddam Hussein's two eldest sons in a battle with American troops in northern Iraq could be an important victory in the campaign to control, and even end, the guerrilla-style insurgency that has almost daily killed or injured allied troops, administration and military officials said today.

Advertisement

The attack that killed Qusay and Uday Hussein could set off an immediate wave of retribution attacks, officials said, but the deaths should also embolden more Iraqis to come forward with critical information to energize the American military's antiguerrilla operations.

Evidence of the deaths, the officials said, will allow them to make the most convincing case that senior leaders of the Hussein government would never return to power - and that Iraqis need no longer fear openly supporting the United States.

Before today, Defense Secretary Donald H. Rumsfeld routinely cited the climate of fear imposed by Mr. Hussein over the decades of his rule as a significant brake on efforts to pacify and rebuild Iraq. Mr. Hussein's sons served as his two most senior advisers and their survival at the very least helped inspire the insurgency.

"Key regime figures had spheres of influence, and many in Uday and Qusay's spheres of influence are without a doubt sleeping better tonight," said James R. Wilkinson, spokesman for the United States Central Command in Tampa, Fla.

But the top prize - Saddam Hussein - remained elusive, and initial reports on the attack included no indication of whether information might have been seized at the house to point to his location.

Even so, the raid raised hopes among military officials in Iraq and at the Pentagon that they were tightening the noose around Mr. Hussein himself. A senior military official said the Pentagon would learn more about the kind of hiding places Mr. Hussein and his former top aides may be using. The second floor house in Mosul was so heavily fortified that it took missiles fired from either Apache or Kiowa helicopters to blast it open so troops could enter.

The attack may also validate arguments by senior American commanders who have resisted calls from some lawmakers and other critics to increase the number of troops on the ground in Iraq from the current level of 148,000, saying better intelligence combined with fast-acting troops is the answer.

In an interview on Sunday, Gen. John P. Abizaid, the commander of American forces in the Persian Gulf, described a scenario that foreshadowed the raid today.

"It's not a matter of boots per square meter," General Abizaid said. "It's a matter of focused intelligence, and then troops that are agile enough to carry out missions in a manner that can cause surprise and take down the targets precisely."

The military has conducted hundreds of raids over the past few weeks, not to seize hundreds of fighters but to confiscate huge caches of weapons and hoards of cash, gold and jewels meant to finance a long-term guerrilla resistance.

American officials were particularly hopeful that the deaths would lead more Iraqi informants to come forward. Since President Bush declared an end to major combat on May 1, American forces have relied heavily on tips from such informants

and from insurgents captured in a running series of raids, to hunt down an elusive array of Baath Party diehards, foreign guerrilla fighters and terrorists.

"We've seen an increase in informants coming forward to our military, to our intelligence people and to our police in the last three weeks, and this is an obvious example of a culmination of that," said L. Paul Bremer III, the senior American occupation administrator, after briefing lawmakers on Capitol Hill today. "I would hope this will encourage other Iraqis to come forward."

Lt. Gen. Ricardo S. Sanchez, the American ground commander in Iraq, told reporters in Baghdad that the developments will enhance the allies' credibility with Iraqis, some of whom have questioned whether the United States was secretly holding Mr. Hussein, and possibly his sons, to ensure Iraqis dis what they were told.

General Sanchez said, "We remain totally committed to the Hussein regime never returning to power and tormenting the Iraqi people."

Judith Yaphe, an Iraq specialist at the National Defense University, said that "even those who have shown the most loyalty to the regime, and thought it could survive or come back, can't be putting much hope on Saddam's returning if his sons are not alive."

News of the two sons' deaths, she said, "is not going to stop all of the attacks against us." But, she added, "it could weaken, it could lower the degree of them." She cautioned, though, that "there are going to be some people who are going to be cranky no matter who is alive or dead, because they have nothing to lose."

One Bush administration official said tonight that the United States carried the burden of proving to the Iraqi people, and indeed to the Arab world at large, that the two sons were actually dead, and that Pentagon efforts to produce evidence of Mr. Hussein's brutality to his own people would continue.

General Sanchez acknowledged that providing public proof was essential, and promised to provide more details at a televised briefing in Baghdad on Wednesday.

Deputy Defense Secretary Paul D. Wolfowitz told reporters on Monday, after completing a five-day trip to Iraq, that the allied public information campaign must do a better job of promoting the occupation's accomplishments and debunking the guerrilla propaganda.

The mission today may also have a positive effect far beyond quieting the resistance, because it could serve as a big morale boost for the soldiers who have lived, fought and patrolled in the desert for months.

In fact, while Pentagon officials cautioned that they had only preliminary reports from the battle, one military officer briefed on the mission said Apache helicopters flown by the 101st Airborne had performed admirably, which could polish an image of the choppers that some say was tarnished early in the war.

In late March, when army aviation mounted its first attack on Republican Guard forces, the Apaches of the 11th Aviation Regiment were surprised by an Iraqi tactic of throwing up a wall of small-arms fire that downed one helicopter and damaged more than two dozen others.

Missions like the one conducted today often call up the fearsome AC-130 gunship, an Air Force Special Operations plane that carries aloft heavy machine guns and cannon, but the Apache received the assignment for close-air support today and did well, military officials said.

That Mr. Hussein's two sons could elude 160,000 troops for so long begs the question of whether it was the \$15 million reward on each son's head that inspired the betrayal, or something else.

American intelligence officials say Mr. Hussein's former secretary told interrogators that the Iraqi leader split from his two sons on April 10. Uday and an aide fled to Syria, but were forced back into Iraq. Saddam Hussein was not believed to have been at the site of the raid.

"It's only a matter of time before we find Saddam Hussein," Mr. Bremer said, "and I hope that day is a day earlier now."

The Ruthless Excesses Of A 'Wolf' And 'Snake' (WPost)

Hussein's Sons Had Contrasting Personalities but Similar Vices

By Pamela Constable

The Washington Post, July 23, 2003

BAGHDAD, July 22 -- They were known to many Iraqis as "the wolf" and "the snake."

Saddam Hussein's elder son, Uday, 39, was the wolf -- a sadist who tortured athletes for losing matches and had henchmen snatch women and girls off the street, a tantrum-thrower who beat underlings and rivals to death, a showoff who collected fast cars and jungle pets.

Qusay, 37, was the snake -- a son who was subservient to his father in public but who quietly amassed enormous power through his control of state intelligence and security services, oversaw the brutal crushing of rebellious political movements and emerged as Hussein's heir apparent.

Together the two men, who American officials said were killed tonight when U.S. troops stormed their villa hide-out in the northern city of Mosul, symbolized the two faces of a family-run dictatorship that was capable of both stealthy and flamboyant evil.

Although Hussein is still missing, the deaths of his two sons and closest aides are likely to have an enormously liberating psychological impact on a country where their rumored exploits were a source of both Machiavellian mystery and Felliniesque revulsion.

Author Con Coughlin wrote in "Saddam: King of Terror" that even as teenage schoolboys, Uday was "loud and vulgar while Qusay was quiet and calculating." Both of their first, arranged marriages failed, but Uday's departed bride was covered with cuts and bruises, while Qusay's union was quietly dissolved.

In the years after Hussein became president in 1979, the brothers took on dramatically different roles in their father's empire, with Uday receiving higher-profile positions in sports and propaganda and Qusay getting tasks that were more discreet and central to Hussein's consolidation of power.

Uday's portfolios befit his penchant for publicity, muscle and high living. He was named chairman of the Iraq Olympic Committee in 1984, as well as head of the Iraq Football Association, where he earned a terrifying reputation for cruelly punishing national soccer and track team members who lost important competitions.

Iraqi athletes who escaped to the West reported to human rights groups that when teams lost, Uday administered whippings to the players, made them crawl on hot asphalt, dunked them in sewage tanks and forced them to kick concrete balls.

He was also involved in press and propaganda work as the owner of a daily newspaper and a television channel for youth, and as the head of the Iraqi Journalists' Union – positions that essentially allowed him to dominate the Iraqi media. Former aides in his radio and TV stations said he often beat their feet with iron rods for making small mistakes, such as being late or misspelling a word.

Meanwhile, according to numerous accounts, Uday's personal life was a soap opera of drunken brawls, family feuds and playboy sex, played out against a backdrop of opulence and excess that was partly financed by international smuggling. Said to be one of the wealthiest men in Iraq, he bought dozens of European sports cars and kept imported lions and tigers as pets in his palaces.

Uday's temper was violent and uncontrollable. He beat a servant to death, killed an army officer for refusing to let Uday dance with his wife, and in 1988 murdered his father's favorite bodyguard and food-taster, an act that soured Hussein's opinion of his elder son and putative heir.

Finally, in 1996, after a series of vicious family feuds during which he tried to murder an uncle and helped orchestrate the execution of two of his father's sons-in-law who had fled the country and then been lured back, Uday barely survived an assassination attempt that left him partly crippled and politically even weaker.

Qusay, in sharp contrast, spent his twenties and thirties quietly acquiring power as an indispensable confidante, hatchet man and security operative for his father. In public, he was often described as sitting quietly at his father's elbow, impeccably dressed, taking notes and letting others do the talking.

But Hussein, who was obsessed with security and repressing dissent, entrusted his younger son with increasingly important and sensitive tasks. In 1991 Qusay personally oversaw the brutal end to an uprising by Shiite Muslims. He also directed an operation to drain Iraq's vast southern marshes so anti-government insurgents could not use them as hiding places.

By the mid-1990s, having proven his loyalty and ruthlessness, he was given authority over Iraq's elite Republican Guard, and was put in charge of the Special Security Organization, a combination of personal guard for Hussein, secret police and liaison with the military forces.

Perhaps his most delicate assignment from Hussein was to head a group whose task was reportedly to oversee Iraq's supply of unconventional weapons and hide them from U.N. inspectors. Because of his close relationship with his father and his control of various security operations, Qusay became the second-most powerful man in Iraq.

Although it was less well known, he could be as cruel as his brother, and one American analyst described him as a "vicious killer." He reportedly ordered prison populations reduced by mass executions and supervised the killing of some inmates by an especially hideous method: putting them through shredding machines.

Qusay also lived a luxurious life, raising peacocks and gazelles on private farms and sending aides to Europe to buy the best whisky. But in the mind of the Iraqi public, the exotic excesses and gratuitous cruelty of Uday are likely to remain the defining image of a regime that, until three months ago, literally knew no limits on power.

Sons Followed Father's Cruel Path (USAT)

By Susan Page

USA Today, July 23, 2003

They were their father's sons in more ways than biology. Uday Hussein, the oldest of Saddam Hussein's five children, was unstable, capricious and cruel, known for his rapacious sexual appetites and his fondness for the falaqa, a medieval instrument of torture he was quick to use on those who crossed him.

Qusay and Uday Hussein were competing to succeed their father, Saddam Hussein.

AP file

Qusay Hussein, two years younger, was organized and ruthless, an enforcer who modeled even his bushy mustache and style of dress on the father he was being groomed to succeed. (Related item: Profiles of Uday and Qusay)

The announcement that the two brothers had been killed in a six-hour firefight with U.S. forces in Mosul on Tuesday was the most powerful sign since the fall of Baghdad that the circle was closing on Saddam's regime. The sons who were once the public face in Iraq of Saddam's control, on the lam for months, were dead.

"It's a blow to the resistance - at least the organized resistance - to the U.S. forces in Iraq," says Ibrahim Al-Marashi, an expert on Iraq at the Monterey Institute of International Studies. Qusay, he notes, had been in charge of Iraq's security forces, the remnants of which are said to be behind some of the attacks on U.S. forces.

A rapid-fire raid in Mosul

Monday night

Iraqi source tips U.S. military about the whereabouts of Saddam Hussein's sons.

Tuesday

8:45 a.m. Iraq time (12:45 a.m. ET): A small force of U.S. troops arrives at a residence in the northern city of Mosul and is denied permission to search it. Troops withdraw.

10 a.m.: About 300 troops and 25 vehicles return. U.S. forces ask those inside the house to surrender but are met with small arms fire. Firefight breaks out, including Kiowa helicopters firing rockets.

3-4 p.m.: Operation ends, and bodies of four males are removed.

Late evening:

U.S. Central Command confirms that two of the dead are Saddam's sons

Kenneth Katzman, a Middle East expert at the Congressional Research Service, was more cautious. He said the sons' demise wasn't "a magic stroke of lightning that will end the guerrilla campaign," which he notes is motivated not only by loyalty to Saddam but also by Arab nationalism.

Still, analysts say, for those Iraqis fearful Saddam might somehow stage a comeback, the news that Uday and Qusay were gone might help convince them that it's time to cooperate with U.S. forces - and safe to do so. The brothers were outranked by only one figure whose whereabouts is still unknown: Saddam himself.

In recent months, new stories about old acts of brutality by the brothers have been told by former associates and victims. A Vanity Fair profile described Uday's obsession with raping girls as young as 12 or 13. He ordered hundreds of them sent to him from schools in poor neighborhoods and demanded others from Baghdad's elite families. Time reported last month that he had ordered two brides dragged screaming from their weddings and brought to him. Knowing what had happened, one groom took a pistol and killed himself.

Athletes who escaped Iraq reported that they faced jail or torture for failing to win games for Uday, who headed the National Iraqi Olympic Committee. Even friends said they would be hung upside-down on the falaqa, so their soles could be beaten for transgressions as slight as being a few minutes late to meet with him.

"Uday was the more deranged of the two," Al-Marashi says.

He was too violent even for his father. Uday fell from favor when he used a club or electric pruning knife - reports differed - to kill one of Saddam's closest friends in 1988, purportedly because the friend had introduced Saddam to his second wife. His father sent Uday to jail but eventually welcomed him back.

He re-emerged even more brutal. That behavior was reinforced again when he was gravely wounded in an assassination attempt in 1996. He was able to walk again after a German surgeon replaced his shattered left femur with titanium. He was often in pain.

His passions included expensive European sports cars - he had hundreds - and flashy Italian suits. His rival was Qusay, who despite being younger was entrusted with more responsibility. Uday was in charge of the paramilitary Fedayeen, but Qusay commanded the elite Republican Guard.

Qusay reportedly disapproved of his brother's public drinking and outrageous sexual exploits. Qusay, who had four children, projected the image of a family man.

But he could be equally ruthless. At the end of the Persian Gulf War, Qusay proved himself to his father by crushing a Sunni uprising. He executed some of those captured himself.

Both men amassed huge fortunes and lived in elaborate palaces. They would sometimes share a drink at the posh Jadriyah Equestrian Club or the Baghdad Boat Club. U.S. envoy Paul Bremer said Tuesday he was surprised the two hadn't gone to separate hiding places.

They were together on Tuesday, when it was all over.

For Brutality, Hussein's Sons Exceeded Even Their Father (NYTimes)

By JUDITH MILLER

The New York Times, July 23, 2003

Though very different from each other yet equally despised and feared by Iraqis, Uday and Qusay Hussein - Saddam's two eldest sons - personified the terror of their father's rule.

Their deaths, therefore, are the clearest indication to date that Mr. Hussein's era is over and power has passed to the Americans and their Iraqi and foreign allies.

Individually and together, Uday, 39, and Qusay, 37, represented the future of the Hussein government. As a result, they were intensively hunted by American military forces in Iraq, appearing respectively as No. 3 and No. 2 on the allies' list of most-wanted people from the former government. On July 3, the United States military put a reward of \$15 million each on their heads, and offered \$25 million for their father.

"They were the classic 'sons of,' " said Danielle Pletka, of the American Enterprise Institute, in Washington. "Whereas their father shot and clawed his way to the top, they knew nothing except the vicious dictatorship he had created, which meant they were even more ruthless than their father."

Qusay Hussein, who was believed to be his father's chosen successor, headed Iraq's intelligence and security services, including the Republican Guard and its elite units that were responsible for protecting the leadership. Former United Nations weapons inspectors said he was also responsible for overseeing Iraq's unconventional weapons.

Stephen Black, a former inspector and chemical weapons expert, said that by virtue of his control of the security services, Qusay would have known, for instance, "whether they had chemical weapons, how many they had, and where they were deployed." He said Qusay would also have known whether, as several defectors and other sources have alleged, Iraq had abandoned an active nuclear program to focus on chemical and biological weapons.

Finally, he said, Qusay would have known not the exact hiding places but the "broad brushes of the concealment policy and practices - whether Saddam had destroyed or hidden weapons or the capability for just-in-time production, and what the goals of this concealment were."

Characterized by Iraqi defectors as quiet and sly, but very brutal, Qusay Hussein stayed out of the public eye, in sharp contrast to his older brother, whose greed and violent rampages were the stuff of many legends - often based in fact - circulating through Saddam Hussein's Baghdad.

Human Rights Watch, the New York-based group, and other experts have said that Qusay implemented the revenge killings and terror after the uprising that followed the Persian Gulf war in 1991. The same sources say he also engineered the draining of the southern marshes after the 1991 attack on Iraq, to eliminate the reeds in which insurgents had taken refuge. The draining of the marshes ended a centuries-old way of life for marsh Arabs.

The rights group also accused him of supervising the "cleansing" of overcrowded prisons by killing several thousand prisoners by shooting or torture.

In 2000, Saddam Hussein gave Qusay effective control of the army, and just before the American invasion this year, charged him with defending Baghdad.

The brothers were intense rivals, said Kenneth M. Pollack, the author of a book about Iraq, "The Threatening Storm," and the director of research at the Saban Center at the Brookings Institution, in Washington. Uday's resentment of his younger brother grew as his own power waned following an assassination attempt in 1996 that left him with a bullet in his spine and partly crippled.

Iraqi exiles agreed that Uday Hussein, the eldest of five children, personified the government's random brutality. Human rights groups and Iraqi exiles accused him of routinely kidnapping women off the streets, raping and sometimes torturing them, and personally supervising the torture and humiliation of hundreds of prisoners. Such conduct earned him the title "Abu Sarhan," the Arabic term for "father of the wolf."

In October 1988, at a party given in honor of the wife of President Hosni Mubarak of Egypt, Uday bludgeoned to death Kamal Hana Gegeo, a valet to his father. Mr. Mubarak subsequently called the young man a "psychopath."

Soon after that, Uday's violent, erratic behavior led his father to banish him to Switzerland for a time, but Uday returned and gradually reclaimed some power. For a time, he owned Babel, Iraq's most widely circulated daily newspaper, and Youth TV.

But he was most infamous for his stewardship of his country's National Olympic Committee. Since Mr. Hussein's government collapsed in April, former Iraqi sportsmen have come forward to tell journalists of Uday's cruelty, and his routine torturing and jailing of athletes, particularly those who lost important matches, or games that he attended.

A New York Times reporter who visited the National Olympic Committee building after the Hussein government fell saw torture contraptions that included a sarcophagus, with long nails pointing inward from every surface, including the lid, so victims could be punctured and suffocated.

Uday was also known for his collection of luxury cars at his mini-palace in Baghdad, where American troops were also said to have found a personal preserve of rare animals and a veritable trove of cigars and alcohol.

Uday gradually won a vote of confidence from his father by creating the fedayeen, paramilitary units that attacked American and coalition forces fighting their way north toward Baghdad.

Sons Of The Father (WPost)

While Saddam Ran Iraq, Uday and Qusay Ran Amok

By Sharon Waxman

The Washington Post, July 23, 2003

Someday in the not too distant future, Iraqi parents will tuck their children into bed at night and, like Scheherazade, tell them tales of Uday and Qusay, the notorious sons of Saddam.

This is how people talk about them even now.

Uday, 39, was the loud, preening one. Qusay, 37, was the quiet, calculating one. Both were pampered sons of a murderous tyrant, handed the power to inflict pain and demand pleasure at will from an early age. What could anyone expect? They learned to abuse their power with pathological glee and unbridled egotism.

Wouldn't anybody?

Here's a small example: When Uday built yet another massive palace in the middle of Baghdad, he was dissatisfied with the noise of fast-moving traffic passing beside the compound. So he had a single-lane overland bridge built nearby to divert the cars and slow them down. It created traffic jams in the city, but at least his yard was quiet.

Both brothers had many palaces, exotic pets, women, jewelry and, in Uday's case, hundreds and hundreds of cars. Both had made untold millions trafficking in contraband under U.N. sanctions. Remember Qusay and his goons pulling up in front of the Iraqi central bank and withdrawing a billion dollars hours before the U.S. bombing began? Biggest bank heist in world history? That's the kind of thing we're talking about.

The city of Baghdad cowered in the shadow of Hussein's sons, most especially Uday. People knew, more or less, how to avoid Saddam Hussein's wrath. But there was no predicting the fits of pique that might seize the filial boogeyman.

Everybody knew that Uday, a party animal, would help himself to another man's wife -- usually just for a night or two -- if he felt like it, and share her with his entourage, if he felt like it. Sometimes he took the bride on her wedding night, in her gown. Sometimes the groom would be found dead later, a suicide. Sometimes the bride would be found dead later, too.

Everybody knew that if someone got on Qusay's nerves, he would send a signed death warrant to his brother, who would carry it out without question. It wasn't that Qusay minded bloodying his hands, he didn't. He liked to shoot suspected traitors in the head.

But he did mind getting his hands dirty; he had a phobic fear of germs and didn't want anyone, even his children, to touch him. Kissing is big in the Arab world, but not around Qusay Saddam Hussein.

Saddam Hussein had good reason for his paranoia. People were trying to kill him all the time. If he had food tasters and a special chef who traveled with him, it was because there were others trying to poison him. His bloodthirsty behavior usually had a purpose behind it, to terrorize his people into submission, and to intimidate his enemies.

No such logic could explain the behavior of Uday Saddam Hussein. Indeed, few in history can top him for pathological jealousy. Perhaps psychologists will study him in the future and find a name for Uday's particular brand of irrationality: "Uday-pensation," a very advanced form of penis envy.

Once Uday and his friends were at the Jadriyah hunting club in Baghdad, where the popular singer Kathem Saher was performing. Women had flocked around the handsome crooner's table, asking for autographs.

Uday was enraged. He ordered Saher over to his table and said he wanted an autograph, too. Then he handed the singer his shoe, offering him a terrifying dilemma -- should he insult Uday by signing the lowly thing, or insult Uday by not signing it? The singer signed the shoe. Then he left the club and the country immediately, knowing he'd be dead if Uday ever saw him again.

As the head of Iraq's Olympic committee, Uday was a sports buff. His method of motivating athletes was to threaten them with torture if they lost. But sometimes he tortured them if they won, too, if he thought a player was getting more attention from the fans than he.

He tortured star members of the soccer team. He tortured members of the Olympic wrestling team. Sometimes he just beat them and threw them in a cell for several days. Other times he used one of his favorite medieval methods, called falaqa, hanging the victim upside down and beating him mercilessly on the soles of the feet. Uday used to like to torture his friends -- who needed enemies, really? -- for little infractions. If you were late for a meeting, for example, you might get beaten. He'd beat the butler for having body odor. He'd beat the maid for giggling out of turn. He'd beat an official of the radio and television authority if there were grammatical mistakes made on the air.

Doesn't anyone see a television movie in this?

Uday liked television. He was in charge of the national media, which meant he controlled the airwaves. A movie buff, he would steal the satellite signal for films aimed at other countries, and broadcast first-run Hollywood movies free on Iraqi television. People in Baghdad have seen "Lord of the Rings" and "Lord of the Rings: The Two Towers." They've seen "The Matrix." They missed "Matrix Reloaded" because Uday was busy running from the American invasion.

Here was Uday's problem: Daddy didn't love him enough. Uday was too unstable even for Saddam Hussein (this is saying something), and the dictator had long before elevated the younger son to positions of real responsibility, naming Qusay head of the Republican Guard and putting him in charge of military intelligence and the special security forces. Qusay was a murderer you could count on.

Uday, on the other hand, only got to control the state media, youth culture and sports. His title as head of the Fedayeen Saddam was a nominal one. Apparently, it wasn't enough.

In 1996, Uday's enemies (former friends, perhaps) finally had had enough of his bullying behavior. Assailants attacked him in his car in the chic Mansour district, shooting into his entourage and nearly killing him. The attack left Uday with permanent damage, provoking a stroke and afflicting him with frequent seizures. Walking became difficult. Sex, according to the local gossip, became impossible.

Guess what? It made Uday even more sadistic. Doctors in Baghdad tell of going to Uday's palaces to pick up unconscious women.

Uday would go out to the city's private clubs and "invite" a group of girls back to his house. He'd get them drunk, and drug their drinks. But then when he couldn't perform sexually, he'd beat them. Doctors would be called to remove the victims.

Was it a problem of education? The boys were spoiled, more than a bit. They weren't shown much discipline as children. They got used to having their way. It's the kind of thing that happens when Daddy is a dictator busy maintaining a regime of terror during the day, and supervising the interior decoration of an endless succession of palaces in his free time.

In elementary school, every week there would be a ceremony to honor the best student of the week. Guess what: It was always Uday! In high school it was not unusual for Uday to show up at Saddam's alma mater, Kharkh High School, wearing a bandoleer filled with live ammunition. Once, when he broke his leg, his class had to move to a classroom on a lower floor to accommodate him.

It was a small step from there to having a bridge built to keep the traffic noise near his yard to a minimum. (Another bridge near the presidential compound, the 14th of July Bridge, was reserved for Uday's use alone.) But all that is in the past. As wild, joyous gunfire erupted through the streets of Baghdad last night, leading many residents to celebrate the brothers' demise from the safety of their bedrooms, it seemed that the legend of Hussein's sons would surely outlive them.

Sons' Deaths A Turning Point In Campaign (LATimes)

U.S. assault is likely to weaken motivation and perhaps coordination of Iraqi resistance as well as change the subject in Washington.

By Robin Wright

The Los Angeles Times, July 23, 2003

WASHINGTON - The deaths of Saddam Hussein's powerful sons Tuesday is a badly needed boost for the Bush administration, a major strategic gain for U.S. forces battling Iraqi resistance and a boon for the fragile new governing council in Iraq.

The raid in the northern city of Mosul, perhaps the most dramatic event in Iraq since the toppling of Hussein's statue in downtown Baghdad more than three months ago, signals a psychological turning point, according to U.S. officials and experts on Iraq, because the United States has proved that it can achieve key postwar goals.

The killing of Uday and Qusai Hussein in a six-hour siege might also be more important in the long term than capturing or killing the aging former Iraqi leader.

"As long as his sons lived, there was always the danger that the dynasty would try to make a comeback. Symbolically, it's very, very important to have eliminated the sons," said Henri J. Barkey, an expert on Iraq and a former member of the State Department's policy planning staff.

Three years ago, Hussein anointed as his political heir his second son, Qusai, who ran military and intelligence units for his father, according to Amatzia Baram, an expert on Iraq and a fellow at the U.S. Institute of Peace in Washington.

In a brief written statement, the White House said Hussein's two sons would "no longer cast a shadow of hate on Iraq."

But officials and analysts differed over the role the brothers might have played in planning or coordinating attacks on U.S. forces in Iraq. Some said the brothers were spending too much time hiding to be involved, while others said the two remained active.

The attack is "clearly important politically. But it could be operationally too," deputy national security advisor Stephen Hadley told reporters.

There is little evidence of centralized command in the daily guerrilla attacks on U.S. forces, many of which have occurred in the so-called Sunni triangle north of Baghdad.

Hadley said it is unlikely but not inconceivable that Hussein's sons played a coordinating role.

But Judith Yaphe, a former CIA analyst now at the National Defense University in Washington, said, "This is the big break the U.S. needed.

"It doesn't stop all the violence against us, but this could cut it significantly on the widely held assumption that Uday and Qusai were encouraging or running some of the groups that have been attacking us."

Even though the deaths of the second- and third-most-wanted figures from Hussein's regime are unlikely to change the desire of many Iraqis for the United States to leave as soon as possible, it will help Iraqis focus on the future.

"This may not make Iraqis any fonder of us, but it does allow them to focus on progress in reconstructing the country politically and physically," Yaphe said.

The 22 men and three women on the new Iraqi governing council, which was established this month, were chosen to broadly represent Iraq's major ethnic and religious communities as the country struggles to craft a post-Hussein era.

They will help form policy as Iraq embarks on a process that is expected to establish an interim administration, a constitutional convention, elections and a new government.

In Washington for consultations, L. Paul Bremer III, the chief U.S. administrator for Iraq, said the fact that Baghdad's night sky was lighted by celebratory gunfire demonstrated that Iraqis were happy to be rid of an "odious regime."

Bremer said the successful strike was the culmination of growing cooperation between Iraqis and U.S. forces, which he expects to increase further.

"It's quite possible that what we'll find is more people who will be willing to come forward," he said.

He also predicted that "it won't be long until Hussein is also captured or killed."

The removal of Hussein's sons is welcome news at the White House.

Coming as the administration faces mounting questions over intelligence discrepancies and the failure to find any weapons of mass destruction in Iraq, the operation may shift the focus in Washington as well.

The White House has been struggling to take back political ground lost during the debate about President Bush's claim in his State of the Union address that the Iraqi regime had tried to acquire uranium from Africa to reconstitute a nuclear weapons program.

"It sucks up all the air and reminds us once again of the great victory that we had over there," Yaphe said.

Even though Hussein and Al Qaeda leader Osama bin Laden remain at large, the United States no longer appears so stymied by elusive enemies.

Republicans were euphoric about the military operation.

"Iraqis can celebrate the removal of yet another remnant of the Baathist regime that brutalized their long-suffering country. The frequent, dreadful discovery of mass graves containing the victims of Saddam and his family is a reminder of the justness of our cause that removed a horrible tyranny," said Sen. John McCain (R-Ariz).

But Democrats cautioned that the United States still had a long way to go.

"As important as today's events are, we cannot ignore the fact that as long as Saddam Hussein is alive, or perceived to be alive, we have not won this war," said John D. "Jay" Rockefeller IV of West Virginia, the senior Democrat on the Senate Intelligence Committee. Experts cautioned that many of the big issues, notably the search for weapons of mass destruction, are still unresolved. Finding such weapons might have been easier if Hussein's sons had been captured rather than killed. Uday Hussein is widely believed to have known a great deal about the regime's nuclear, biological and chemical weapons programs.

Yet Barkey predicted that the demise of Hussein's sons "definitely means the beginning of the end for Saddam as well."

"This will sap the morale of all those Baathists loyal to Saddam, as they will now see that the United States is doing its utmost to find him," he said. "And Saddam is much more difficult to hide than his sons."

President On Defensive Gets A Welcome Boost (WPost)

Stability in Iraq Continues to Be an Issue

By Dan Balz

The Washington Post, July 23, 2003

The killing of Iraqi President Saddam Hussein's two sons yesterday gave President Bush a welcome boost after weeks on the defensive, but he faces renewed questions and criticism if their deaths fail to stop the continuing attacks on U.S. forces or bring stability to postwar Iraq.

Administration officials and their Republican allies greeted with restraint the confirmations that Uday and Qusay Hussein had been killed in an overnight firefight in the northern Iraq city of Mosul. Privately they were relieved that the administration had received an important piece of good news.

The news came after three difficult weeks for Bush as he struggled to explain how questionable intelligence found its way into his State of the Union address and as mounting U.S. casualties in Iraq were beginning to undermine public confidence in Bush's ability to enforce the peace there. Declining poll numbers reflected his problems.

Democrats learned how quickly events and images can change the context of the political debate at home. The reports from Baghdad competed on afternoon television with the poignant West Virginia homecoming for former POW Jessica Lynch. An adviser to one Democratic presidential candidate described the news as "a firebreak" for the White House, while an adviser to another candidate said, "There's no doubt this is a short-term boost to an administration that has been on the rocks on foreign policy, particularly Iraq."

But White House officials could not fully escape controversy. Despite the good news from Iraq, they were still trying to quell the controversy over the president's State of the Union address yesterday, changing their story again on how the disputed 16 words claiming that the Iraqis had sought to buy uranium in Africa found their way into the speech. This time, deputy national security adviser Stephen J. Hadley took responsibility, the first time a senior White House official has been so clearly implicated in the controversy.

The administration's inability to put the controversy to rest speaks to the larger risks ahead as U.S. forces try to bring peace to Iraq. L. Paul Bremer, the U.S. civilian administrator in Iraq, briefed 65 members of Congress yesterday and, according to Senate Armed Services Committee Chairman John W. Warner (R-Va.), made a strong case that the United States is making good progress stabilizing Iraq. But he outlined the "magnitude of the problems ahead," including providing electricity to the country.

Speaking to reporters later, Bremer expressed optimism that the killing of Hussein's sons could help accelerate the stabilization effort. He called the "celebratory" gunfire in Iraq last night evidence that the Iraqi people were relieved at the fall of an "odious regime," and said it is "quite possible" that more Iraqis will come forward with information about whereabouts of the Iraqi leader.

The relatively restrained response from Republicans belied the concern that had been building within the party about the toll the Democrats' attacks were taking on Bush. Republican leaders have launched a counteroffensive to rebut the criticism.

Incoming Republican National Committee Chairman Edward W. Gillespie sent a memo to GOP congressional leaders on Monday that accused Democrats of a "passive, reactive approach" to the war on terrorism that "would put America's fate in the hands of people who seek to destroy us." In an interview yesterday morning, Gillespie charged that Bush's opponents were seeking a standard of absolute proof that Hussein had weapons of mass destruction, and called that a "frightening foreign policy position" that would be rejected by the American people.

Reached late yesterday afternoon, Gillespie called the confirmation of the Hussein brothers' deaths "a very tangible sign of the success of our policies," but, reflecting the caution within GOP circles, declined to restate his direct criticism of the Democrats.

Republican pollster Bill McInturff said the military action "breaks the news cycle" that had put the president on the defensive. "We can have a broader discussion about the future and security of Iraq, and that broader discussion helps the president," he said.

That debate continued yesterday even as U.S. officials were seeking to confirm the deaths in Iraq, with Rep. Richard A. Gephardt (D-Mo.), one of Bush's strongest supporters in the prewar period, accusing the administration of conducting a "destructive" foreign policy marked by "chest-beating unilateralism" that had shattered U.S. alliances around the world.

"George Bush has left us less safe and less secure than we were four years ago," Gephardt said in the prepared text of a speech delivered to the American Bar Association convention in San Francisco.

Gephardt called Iraq "a looming quagmire" and said Bush has been wrong "to short-circuit the world community, to effectively shut them out when they felt we hadn't made the case." He said the administration had cheapened postwar alliances by seeking to buy votes at the United Nations from developing countries "like some kind of global Tammany Hall every time we have a resolution to pass."

In a postspeech telephone interview, Gephardt said, "The basic point of my speech still stands and makes sense. We have a long and difficult path here to win the peace, and we need help. . . . I always believed we could win the war alone, but we can't win the peace alone."

Sen. John Edwards (N.C.), another Democrat who supported the resolution authorizing the Iraq war, called the killing of Hussein's sons "good news" that could dampen militia action aimed at U.S. forces, but he noted that there is still chaos in Iraq.

"I think the two fundamental problems are that they came into it with the lack of a plan and refused to bring our allies into the effort, and they refuse to do anything about either of these problems," Edwards said in a phone interview. He added, "The president is going to be judged on his long-term results and not this short-term result."

Former Vermont governor Howard Dean, who has been sharply critical of both Bush and the four Democratic candidates who supported the congressional resolution on the war, said, "I applaud the elimination Saddam's sons," but he added that the "major question still has to be asked: Why are we in Iraq?"

If the U.S. casualty rate declines in the next week and there are signs of greater stability, the benefits will accrue to the president, Dean said. "But I don't think it excuses the mismanagement of the Bush administration, nor do I think it excuses the misinformation they put out in getting us over there," he said.

Administration allies said yesterday that they hope the killing of Hussein's sons will lead to the capture or death of Saddam Hussein, a development they would see as a potential breakthrough in bringing stability to Iraq. Short of that, yesterday's news provided some breathing room for the president, but perhaps not much more than that.

Saddam's Sons Killed (AJC)

Bodies identified after firefight with GIs

By LARRY KAPLOW and GEORGE EDMONSON

The Atlanta Journal-Constitution, July 23, 2003

Two of Saddam Hussein's sons, among the most wanted fugitives in the world, were killed Tuesday in a firefight with U.S. troops who had gotten a tip that the brothers were hiding in Mosul, north of Baghdad.

The sons, Qusai and Odai, were listed by the United States as the second and third most wanted members of Saddam's regime. A reward of \$15 million had been posted for each.

Lt. Gen. Ricardo Sanchez, who made the announcement at a Baghdad news briefing, said multiple sources were used to confirm their identity after they died in a blaze of gunfire and rockets.

"Four persons were killed during that operation and were removed from the building, and we have since confirmed that Odai and Qusai Hussein are among the dead," Sanchez said.

News of the deaths spread slowly in the Iraqi capital, but by late Tuesday night there were bursts of what appeared to be heavy celebratory gunfire.

The head of the U.S. civilian authority in Iraq, L. Paul Bremer, was in Washington briefing U.S. senators when Sanchez announced the deaths.

"The only comment I will make about the death of the sons is that it's a great day for the Iraqi people and a great day for the American military, who once again showed their astounding professionalism in this operation," Bremer said afterward.

The Bush administration has been facing criticism, largely from Democrats, over its handling of post-war Iraq. And some public opinion polls have shown a decline in support for Bush's actions in Iraq. Eliminating two major figures from the regime could give a boost to the administration, some political analysts said, especially if the action is viewed positively by Iraqis.

Sanchez, head of U.S. ground forces in Iraq, said he expects the deaths to have an impact on the recent guerrilla-style assaults on U.S. troops. American forces have come under daily attacks. An ambush by guerrillas late Tuesday north of Baghdad killed one U.S. soldier and wounded another.

Huge reward likely

"This will prove to the Iraqi people that at least these two members of the regime will not be coming back into power, which is what we've stated over and over again," Sanchez said. He promised to provide more details today to persuade skeptical Iraqis that Qusai and Odai are dead.

Sanchez said it was probable that the rewards -- authorized July 3 by Secretary of State Colin Powell along with a \$25 million bounty offered for Saddam as part of the "Rewards for Justice Program" -- would be paid. He declined to say who might receive the reward money.

The dramatic end of the hunt for the two key players in Saddam's government started Monday night when an Iraqi walked in off the street and told members of the 101st Airborne Division that the brothers were in a house in northern Mosul, about 240 miles northwest of Baghdad, Sanchez said.

"The six-hour operation began when the division's 2nd Brigade Combat Team approached the house and received small arms fire," Sanchez said. Special Operations Forces and components of the U.S. Air Force also were part of the 200-person operation. The resistance they met at the house was fierce, Sanchez said.

A 101st Airborne officer, interviewed at the scene by Fox News, said U.S. troops, facing repeated small-arms fire, used TOW missiles and had support from helicopters. The TV report showed a large multistory home – said to be owned by Saddam's cousin Nawaf al-Zaydan Muhammad – that appeared to have been heavily damaged.

Sanchez said efforts were under way to identify the two other bodies found at the scene. Numerous news reports quoted unnamed sources as saying they were believed to be a bodyguard and the teenage son of Qusai, but Sanchez would not confirm whether one of the dead was a teenager.

Many Iraqis said they were relieved to hear that Saddam's two sons, widely feared and resented, were dead.

"I hate them. If people know [they are dead] they will be happy and sad at the same time, because Iraqis would like to kill Odai and Qusai by themselves," said graphic designer Ahmed Kareem al-Mamurri, 32. "They were the right hand to their father."

Some Iraqis said the deaths of the two sons of the toppled president were irrelevant amid the struggle to survive in chaotic post-war Iraq.

"I don't care about this, because they were the past," said civil engineer Alawi Radi al-Shamari, 31. "These people had lost power, their weapons and their army."

Some members of the 3rd Infantry Division serving in Iraq were skeptical when they learned news of the deaths.

Sgt. Andrew Coffman from Shawnee, Ok., said, "I'll believe it when I see it. Just like everything else around here."

"If it's true, that means it's two down and one to go," said Staff Sgt. Mark Strunk, 39, of Windom, Minn.

Clues to Saddam?

Odai (pronounced oh-DEYE) and Qusai (pronounced koh-SEYE) were key players in Saddam's regime, involved with everything from newspapers and the Olympics to mass executions and smuggling.

Both were in their 30s, lived luxuriously in Baghdad, employed body doubles and were believed to have fled invading U.S.-led forces with vast amounts of cash and other valuables.

Asked whether Tuesday's operation had provided leads to Saddam's location, Sanchez said only that troops were "continuing to exploit the site and everything that we captured in that raid."

Getting Saddam has been a top U.S. priority. At least twice during the war, the U.S. military struck locations where Saddam was thought to be, but neither attack appeared to be successful. In recent weeks, several recordings reputedly made by Saddam have been broadcast in the region.

As terrorists have hit U.S. forces in the weeks following the end of the war's major combat operations, more and more officials – including Bremer – have highlighted the necessity of capturing or killing Saddam.

Sen. Susan Collins (R-Maine) recounted Tuesday the sense of fear of Saddam she found during a recent trip to Iraq. "There's a pervasive climate of fear that is impeding the recovery, particularly in central and southern Iraq. There is a fear that he will return, that he will come back," she said.

What The Hussein Brothers' Deaths Mean For Iraq (Time)

The U.S. has struck a body blow against the Baathists, but resistance will likely continue. And UN backing may now be the key to completing the mission

By TONY KARON

Time, July 23, 2003

Just when the U.S. desperately needed some good news out of Iraq, the special task force hunting for Saddam Hussein turned up, if not their top prize, the next best thing: The dictator's sons. Uday and Qusay, two of Iraq's most notorious tormentors (and, in Qusay's case, his political heir) were holed up in a house in the northern city of Mosul. Helped by the 101st Airborne, the task force stormed the house and, after a fierce firefight that lasted hours, the Pentagon reported that two of the four charred corpses found inside were identified as belonging to Iraq's second- and third-most wanted men.

The elimination of Saddam's widely feared sons will be a dramatic blow against the resistance that has plagued the U.S. occupation forces: Paul Bremer, Washington's viceroy in Baghdad has long insisted that the capture or killing of Saddam and his sons would break the psychological grip of the old regime on many Iraqis. Their deaths mark the sharpest signal yet that Saddam isn't coming back, and that he will eventually be found by the Americans. And that message will boost the confidence of those Iraqis inclined to work with the occupation authority, while demoralizing Baathist resistance fighters by eliminating two of their key political leaders and warning them that the capability of U.S. intelligence to detect Baathist leaders is growing. Equally important, it will provide an important morale-booster to U.S. troops straining under the weight of an often thankless mission.

Still, despite the blow of losing Qusay and Uday Hussein, nobody's expecting the still-intensifying resistance will suddenly abate. U.S. officials have said repeatedly they don't believe the attacks on coalition forces - averaging somewhere between 12 and 20 a day - are being directly orchestrated by Saddam and his family, but are instead carried out by cell structures organized on regional and local lines. Just last week, Centcom commander General John Abizaid warned that the resistance fighters were clearly digging in for a long fight, in which case they would have steeled themselves for the likelihood of sustaining significant losses - even Saddam himself. For that reason, some key events that played out in Washington and New York Tuesday will ultimately be as important to the future of Iraq as the raid in Mosul.

Even as U.S. troops were trading fire with Saddam's sons, Bremer was in Washington to urge Congress to substantially, and urgently, increase its commitment of money and personnel to the Iraq mission. An independent study of U.S. efforts in Iraq commissioned by Bremer and Defense Secretary Don Rumsfeld (downloadable from the Center for Strategic and International Studies) had already sounded the alarm last week, warning that the coalition's window of opportunity to remake Iraq on stable, friendly terms is closing fast. "The 'hearts and minds' of key segments of the Sunni and Shi'a communities are in play and can be won," the report noted, "but only if the Coalition Provisional Authority and the new Iraqi authorities deliver in short order." Saving the situation requires a dramatic turnaround in the security situation, and an urgent injection of funds and administrative personnel. Among other things, the report recommended that the U.S. occupation authority should:

Increase the U.S. presence: The U.S. needs to "reassess force composition and structure and troops levels" and notes that "the current configuration of composite security forces (U.S., coalition and Iraqi) does not adequately support the reconstruction mission"

Commission large-scale New Deal-style public works projects to get Iraqis employed, and slow down in the short term on the drive to privatize Iraq's economy because "many old state-owned enterprises are not competitive, but they are a major source of employment and should not be closed during this most unstable time"

Dramatically improve its communication with the Iraqi people

Quickly draw in a wider range of international allies on reconstruction

In many of these areas, the report noted, "the United States will need significant international assistance - from the United Nations, other international organizations and bilateral donors."

That conclusion squares with a growing mood on both sides of the aisle on Capitol Hill for a new U.S. effort to persuade reluctant allies to share the military and financial load in Iraq. While the Administration has gamely maintained that it already leads a broad coalition in Iraq, the truth is that the military contribution most of these allies make is negligible. Many of the countries whose armies are most capable - France, Germany and India, for example - have indicated that they will send troops only if the mission is mandated by the UN.

There's growing support in the Administration and among lawmakers from both parties for doing just that. Secretary of State Colin Powell has held talks with UN Secretary General Kofi Annan, as well as European foreign ministers on seeking an additional UN mandate for an international force to back up U.S. troops in Iraq. But the political price will not simply be a few slices of humble pie for an Administration that had warned that the UN would become irrelevant if it failed to back the war. The consensus at the UN is likely to be for a significantly expanded role for the international body in supervising the political transition in Iraq.

Of prime concern to the UN: Giving Iraqis an early voice in the creation of their government. The Security Council met Tuesday in New York to consider veteran Brazilian diplomat Sergio Vieira De Mello's report from Iraq, which urged that the U.S. offer a timetable for restoring Iraqi sovereignty. His report backs the Bremer-appointed Governing Council as the only mechanism to pursue that goal right now, but urges that its scope and powers be expanded, and that Iraqis be given more opportunity to choose their own leaders. De Mello has already played a major, if discreet, role in helping Bremer create the Governing Council. He reportedly serves as an honest broker between Bremer and constituencies in and around Iraq to which he has no access because of suspicion and hostility towards the U.S. De Mello, for example, reportedly played the major role in persuading some of the key Shiite parties to join the Council - and also in persuading Bremer to grant it wider powers.

"Our collective goal," Annan said introducing the UN report Tuesday, "remains an early end to the military occupation through the formation of an internationally recognized, representative government." Achieving that objective is also, of course, the exit strategy that many on Capitol Hill are demanding, suggesting that despite the prewar tensions, the U.S. and UN may yet reach accord on, and in Iraq. And that news, together with the killing of the brothers Hussein, will be welcomed by most Iraqis.

When Uday And Qusay Didn't Give Up, Bullets Started Flying (USAT)

By John Diamond and Tom Squitieri
USA Today, July 23, 2003

From the moment the tip from an Iraqi informant came in sometime Monday night, elements of the 101st Airborne Division needed only hours to zero in on the imposing house in the northern Iraqi city of Mosul. The U.S. troops were ready to take its occupants quietly if they could, by force if they had to.

The informant - identified in some reports as the house's owner, a cousin of Saddam Hussein and a local tribal leader - came to U.S. forces with word that Saddam Hussein's two elder sons, integral and brutal officials in his regime, were hiding out in a Mosul neighborhood.

It was like hundreds of tips U.S. troops and intelligence officers field every day in Iraq. But this one included detail that captured the attention of U.S. commanders: The house in question had already been under surveillance as a suspected way station for members of Saddam's ousted regime trying to escape to Syria.

The tip triggered an intense military operation that eventually involved CIA operatives, special operations troops, ground forces and aircraft.

By 8:45 a.m. Iraq time Tuesday, a small group of U.S. troops arrived at the house and asked the occupants for permission to search. Permission was denied. The troops withdrew, but only temporarily. An hour later, a much larger force, at least 100, moved in. By 10 a.m., more than 300 members of the 101st Airborne Division along with special operations units had the concrete building surrounded.

Demands that the occupants surrender were met by small arms fire from inside. That touched off a fusillade from the U.S. troops. At the height of the firefight, witnesses said, hundreds of U.S. troops poured fire into the thick-walled concrete villa, while Kiowa helicopters rocketed the building from the sky.

The intense fire wrecked the interior of the house and left its high facade riddled with bullet holes. Two adjacent homes were severely damaged, and some Mosul citizens were caught in the crossfire. It was not known how many were injured, but several were taken to a hospital.

Four hours later it was all over. Four badly shot-up bodies were inside the house. By Tuesday afternoon, the bodies were at a U.S. military base at Baiji, a town about halfway between Baghdad and Mosul.

Several Iraqi officials in Saddam's regime already in custody positively identified two of them as Uday and Qusay Hussein - after Saddam himself the two most wanted men in Iraq. The Bush administration had scored a huge victory in a war that has grown costly in American lives in Iraq and taken a political toll on the president at home.

As celebratory gunfire erupted in Baghdad, U.S. officials exulted in Washington and predicted that the cooperation that led to an almost Wild West-style shoot-out Tuesday would soon bring U.S. forces to Saddam's doorstep.

"This is a really great day for the Iraqi people," said Paul Bremer, the U.S. administrator of Iraq, after he briefed lawmakers in closed session at the Capitol. "We've seen an increase in informants coming forward to our military, to our intelligence people, and to our police in the last three weeks," he said. "It's only a matter of time before we find Saddam Hussein."

In Baghdad, U.S. military commanders provided few details of the raid but viewed it as a turning point in the struggle to restore order to Iraq almost three months after the Bush administration declared an end to major combat operations.

Proof they're gone

"I believe very firmly that this will, in fact, have an effect," Lt. Gen. Rick Sanchez, commander of coalition ground forces in Iraq, told reporters at a Baghdad news conference. "This will prove to the Iraqi people that at least these two members of the regime will not be coming back to power."

A pervasive fear among Iraqis that Saddam and his sons, known for their ruthless rule, would somehow stage a comeback has haunted the U.S. mission in Iraq for weeks, hampering efforts to pacify loyalists to Saddam's Baath Party and to gain full cooperation even from those Iraqis who hated the dictator.

Capturing or killing Saddam and his sons was regarded as essential to the success of the U.S. mission. And a special team dispatched by Defense Secretary Donald Rumsfeld to assess the situation had reported back last week that time was running out if the mission was to succeed.

AP

Iraqi ruler Saddam Hussein poses with his two sons Odai, left, and Qusai in this undated file photo.

Two other Iraqis were killed in the firefight: one a bodyguard, the second tentatively identified as a 14-year-old who may be Qusay's son.

U.S. forces and Iraqi police entered the villa and conducted a search. The U.S. troops were, in the term of art, "exploiting" the site for any information about Saddam's whereabouts.

About 1,000 Iraqis gathered outside, some expressing delight, others cursing the Americans.

Mosul, a city of 1.5 million 240 miles northwest of Baghdad, had been rife with rumors that senior regime members were hiding there. They would not have been in what Saddam would consider friendly territory. While Arabs loyal to Saddam live in Mosul, the population includes a mix of Kurds, Turkmen and Assyrian Christians, groups repressed by Saddam's regime.

The mission was not an unqualified success. U.S. intelligence had badly wanted Saddam's sons captured alive. The pair was believed to be moving frequently from hideout to hideout across northern Iraq, keeping just ahead of the U.S. forces that have been pursuing them. Intelligence officials believed the two might have been among the few who had solid information on the whereabouts of Saddam himself.

"They had the opportunity to hand themselves in to justice and answer for their crimes. They refused to do this," British Foreign Secretary Jack Straw said in a statement issued in London.

"It goes without saying that we would much have preferred this. But the news that Saddam's sons are no longer a threat to the security of Iraq will be a reassurance to the Iraqi people," Straw said.

'Give up or go down'

A U.S. intelligence official said the ability of Uday and Qusay to elude capture until Tuesday made U.S. commanders unwilling to risk their getting away. The sons were given the choice of walking out with their hands up or dying, he said.

"Resistance was futile and totally stupid," the intelligence official said. "They have slipped the noose just once too often. 'Give up or go down' was the battle cry of this operation."

Agence France-Presse news service reported that the owner of the house where the raid took place, Nawaf Zaidan, was the "walk-in" informant who tipped U.S. forces that Saddam's sons were hiding there. U.S. intelligence officials declined to confirm that report. U.S. officials are eager to signal that they will protect the identity of any Iraqi who comes forward with information.

A female relative of Zaidan, who asked not to be named, told AFP that Zaidan "is believed to have informed U.S. forces that Saddam's sons, Uday and Qusay, Qusay's son, and a bodyguard named Abdul Samad took refuge in his house and he wanted to get rid of them."

The tipster may collect all or a substantial portion of \$15 million rewards U.S. authorities had offered for information leading to the capture or killing of the two sons. The price on Saddam's head is \$25 million.

Uday and Qusay were the "ace of clubs" and "ace of hearts" respectively on the U.S. "deck of cards" of regime officials. With their death, 36 of 55 Iraqis on the U.S. most-wanted list have been captured or killed.

Jubilant in Washington

The news electrified Washington, where the Bush administration has been struggling against an onslaught of negative news coverage focusing on the near daily casualties being suffered by U.S. forces in Iraq and the growing questions about whether the administration overstated the case about Iraqi weapons of mass destruction before the U.S.-led invasion of Iraq.

Rumsfeld canceled a planned trip to Kansas for an event in honor of former senator Bob Dole to brief President Bush. In a call to the White House at mid-morning Tuesday, Rumsfeld told the president that U.S. troops had been in a firefight in Mosul and that it looked like Saddam's two sons were among those killed. But he cautioned that it would take time to identify the bodies.

An hour later, late Tuesday morning, according to White House spokesman Scott McClellan, Rumsfeld told Bush in another call that one reliable source had verified that Uday and Qusay were dead.

Vice President Cheney lunched with Republican senators, putting out the then-tentative word that the two sons were likely dead. And at 3:30 p.m. ET, Rumsfeld called Chief of Staff Andrew Card to tell him that the deaths of the two sons had been fully verified. Card then went to the Oval Office and informed the president as Lt. Gen. Sanchez's briefing was about to begin, just before midnight Baghdad time.

McClellan said Bush called Tuesday's firefight "positive news for the Iraqi people" and praised the skill and bravery of the troops involved and of the quality of the intelligence that led to the operation.

McClellan also said it was "further assurance that the regime is gone. They were the leaders of a brutal regime."

In the confusion of gunfire across Baghdad, a unit of the Florida Army National Guard, believing that it was coming under fire, shot a man twice in the chest and shot a girl who looked to be between 6 and 8 years old once in the head.

Hussein's Two Sons Killed In Firefight With US Troops (WPost)

Tip Led Soldiers to Raid Northern Iraq Mansion

By Kevin Sullivan and Rajiv Chandrasekaran

The Washington Post, July 23, 2003

MOSUL, Iraq, July 22 -- The two sons of former Iraqi president Saddam Hussein were killed today during a lengthy and intense gun battle with U.S. soldiers who raided an opulent stone mansion after receiving a tip from an informant, the top U.S. military commander in Iraq said.

Qusay Hussein, 37, the onetime heir apparent who led Iraq's elite Special Republican Guard military force, and Uday Hussein, 39, a playboy and publisher who commanded the Saddam's Fedayeen militia, died during a military operation in Mosul, about 220 miles north of Baghdad.

"We are certain that Uday and Qusay were killed today," Lt. Gen. Ricardo Sanchez said at a late-night news conference in Baghdad. He said the bodies, which were "in a condition where you could identify them," were confirmed by "multiple sources" to be the former president's two sons.

The deaths of Hussein's sons, who earned a reputation for brutality in both their official and personal lives, could have a major impact on efforts to squelch attacks against U.S.-led occupation forces in Iraq and could also help narrow the search for the former president, military officials and analysts said.

In the latest attack on U.S. troops, one soldier was killed and another wounded in an ambush today on a road northwest of Baghdad, in an area dominated by the minority Sunni Muslims from whom Hussein drew much of his support. A Sri Lankan Red Cross technician was killed in a separate incident near the town of Hilla in central Iraq.

Although U.S. military officials said the brothers' deaths could result in an immediate wave of retribution attacks, they contended that the elimination of two such prominent figures in Hussein's hierarchy would demoralize many former soldiers, Baath Party militiamen and other paramilitary fighters who have carried out recent resistance attacks out of loyalty to the former president and his family.

"This will prove to the Iraqi people that at least these two members of the regime will not be coming back into power, which is what we've stated over and over again," Sanchez said.

L. Paul Bremer, the U.S. civil administrator of Iraq, called the deaths "good news for the Iraqi people." The White House, in a statement, lauded the military action and said that Hussein's sons "can no longer cast a shadow of hate on Iraq." British Prime Minister Tony Blair hailed the deaths as "a great day for a new Iraq."

Sanchez said a "walk-in" informer provided U.S. forces with information on Monday night about the whereabouts of the two men, who ranked immediately behind their father atop the U.S. military's list of most-wanted Iraqis. The general said the U.S. government probably would pay the informer a \$15 million reward that had been promised for information leading to the capture or death of each of Hussein's sons.

As preliminary reports of the deaths were broadcast on Arabic-language satellite television stations, thousands of Baghdad residents poured out of their homes to dance, shout and fire AK-47 assault rifles into the air. Red tracer rounds arced across the night sky, and horns blared on the capital's streets.

"We are really happy because now we can say for sure that we have gotten rid of the old regime," said Ibrahim Ali, 26, a student who ran into a street in eastern Baghdad with his rifle. "I don't believe that Saddam Hussein will be a danger anymore without Uday and Qusay."

Qusay Hussein was in charge of Iraq's most elite security services, heading the Special Security Organization service and the National Security Council in addition to the Special Republican Guard. Quiet and reclusive, he was widely regarded as his father's successor before Saddam Hussein's government was ousted.

Uday was his brother's opposite. Flamboyant and reckless, he was the heir apparent until he murdered one of Hussein's bodyguards at a party. He collected luxury cars by the hundreds and reportedly ordered his guards to snatch young women off the street so that he could rape them. In addition to controlling Saddam's Fedayeen, he published the country's most popular newspaper, ran a youth-oriented television station and was chairman of the country's Olympic committee, whose offices housed his personal jail and torture chamber.

The raid that claimed the brothers' lives began at about 10 a.m., when soldiers from the U.S. Army's 101st Airborne Division, which is responsible for a swath of Iraq that includes Mosul, swooped in on the three-story house in the city's northern Falah neighborhood. The uniformed soldiers, driving Humvees equipped with .50-caliber machine guns and vehicles mounted with Avenger missiles, were accompanied by members of Task Force 20, a combination of Special Operations forces and CIA operatives assigned to search for top leaders of Hussein's government, a senior defense official in Washington said.

Brig. Gen. Frank Helmick, the assistant commander of 101st Airborne, said the military had received intelligence reports that suggested "high-value targets" were inside the house, a gaudy stone edifice with tall, Greek-style columns in the front. Sanchez did not describe the tipster or identify the person's relationship with Hussein's sons.

Neighbors identified the owner of the house as Nawaf Zaidan, a businessman who boasted of being related to Hussein and a member of the former president's Abu Nasr tribe.

The senior defense official said early indications suggested that the two sons had been living in the house "for some time." Shahir Khazraji, 31, who lives across the street, said Zaidan told one of his neighbors that Qusay, Uday, one of Hussein's bodyguards and Qusay's son Mustafa, 14, had been in the house for 23 days.

Khazraji said he saw Zaidan leave the house with his family around 6 a.m. and return at about 9 with just his 19-year-old son. At around 9 a.m., Khazraji said, a small group of U.S. soldiers came to the front door and demanded to search the house.

Zaidan refused. A short while later, Khazraji said, Zaidan and his son were taken by the soldiers to a nearby house and told to wait there. Khazraji said he was told by the owner of the second house that Zaidan told the soldiers they could not search the premises, telling them, "I can't let you into my house because I have an important official of the government in there."

An Arabic-speaking soldier subsequently used a megaphone to order the occupants to leave, neighbors said. Helmick said his soldiers were fired upon from inside the house. Khazraji and other residents said U.S. soldiers shot first.

The exchange quickly escalated into an all-out firefight involving automatic weapons, rockets and rocket-propelled grenades. Witnesses said bullets whizzed across the street, and tonight Khazraji's house was pocked with bullet holes and .50-caliber shell casings still littered the street. Soldiers later said that up to 200 troops participated in the raid and that TOW missiles were fired at the house.

As the fire from inside the house died down, the soldiers eventually fought their way in. When they reached the second floor, they found it fortified with bulletproof glass and barricades, leading commanders to summon two OH-58D Kiowa Warrior helicopters. The helicopters fired 2.75-inch rockets and at least one missile at the upper floors of the house, sparking a fire that eviscerated much of the structure.

Helmick said his soldiers entered the house at 1 p.m. and recovered four bodies. "They came out dead," he said.

According to a senior administration official in Washington, the Hussein brothers' remains were identified by Abid Hamid Mahmud Tikriti, Hussein's presidential secretary and top security adviser, who was captured on June 16 and remains under interrogation. The other two bodies reportedly were those of Qusay's son and the bodyguard.

The house is located on an eight-lane road in a crowded residential and commercial neighborhood. There is a large mosque across the street, about 150 yards from the house.

Helmick said he had AH-64 Apache attack helicopters and other heavy arms at the ready, but "we did not use them on purpose. We took extra caution and special care to focus on precision gunning on this building."

Four U.S. soldiers were wounded in the raid, according to U.S. Central Command in Florida.

Saddam's Sons Dead (WTimes)

By Bill Gertz

The Washington Times, July 23, 2003

U.S. military forces attacked a villa in northern Iraq yesterday and killed Saddam Hussein's two sons, both former regime leaders, in a fierce gunbattle.

"We're certain that Uday and Qusai were killed today," Army Lt. Gen. Ricardo Sanchez, the commander of coalition forces in Iraq, told reporters in Baghdad. "We've used multiple sources to identify the individuals."

The deaths of the No. 2 and No. 3 leaders of the ousted Iraqi government mark a turning point in the postwar campaign in Iraq, which has been hampered in recent weeks by daily guerrilla attacks in which 39 U.S. soldiers have been killed.

Allied officials said the deaths of Saddam's sons will boost efforts to stabilize the situation in Iraq by helping to assure liberated Iraqis that the former Ba'ath Party regime will not return to power.

"I believe very firmly that this will, in fact, have an effect; this will prove to the Iraqi people that at least these two members of the regime will not be coming back into power," Gen. Sanchez said. "And we remain totally committed to the Hussein regime never returning to power and tormenting the Iraqi people."

At the White House, Press Secretary Scott McClellan said President Bush was "pleased to learn" of the raid's outcome.

"Over the period of many years, these two individuals were responsible for countless atrocities committed against the Iraqi people, and they can no longer cast a shadow of hate on Iraq," Mr. McClellan said, crediting U.S. military and intelligence forces and an Iraqi informant for the success of the operation.

In Baghdad, Iraqis celebrated by firing guns into the air after news of the deaths reached the capital. "It's celebration. People have heard about what happened," a U.S. military spokesman told Reuters news agency.

L. Paul Bremer, the U.S. civil administrator in Iraq, said after a meeting with lawmakers on Capitol Hill yesterday that it "is really a great day for the Iraqi people."

"It's a wonderful day for the fine American men and women in our services, who have shown again how competent and professional they are," Mr. Bremer said.

"The fact that Baghdad was lighted up with celebratory fire tonight shows you how important this is in meeting the real desires of the Iraqi people to be rid for once and for all of Saddam Hussein, his sons and his odious regime," he told reporters after briefing 65 senators for more than an hour about the situation in Iraq.

Gen. Sanchez declined to say how the identities of Uday and Qusai were confirmed.

Four U.S. soldiers were injured in the raid. The operation included 101st Airborne Division troops, Army Special Forces commandos and Air Force elements.

When asked whether the raid had produced leads that are helping in the hunt for Saddam, Gen. Sanchez said: "We are still continuing to exploit the site and everything that we captured in that raid."

The three-star general said the men were killed, as were a teenage son of Uday and a bodyguard, in a "fierce gunbattle" after they had barricaded themselves in a mansion located on the northern edge of Mosul, a northern city close to the Syrian and Iranian borders.

Gen. Sanchez said an Iraqi citizen volunteered information on their location. A reward of up to \$30 million for the information is likely to be paid, he said.

"It was a walk-in last night that came in and gave us the information that those two individuals were in that residence," Gen. Sanchez said.

U.S. officials said that in addition to the informant, other intelligence sources helped confirm that Uday and Qusai were hiding in the three-story building.

The identification of the other two dead persons was not confirmed, Gen. Sanchez said, noting that the bodies of Uday and Qusai "are in a condition that you could identify them."

Additional details of the raid are expected to be made public in Iraq today, Gen. Sanchez said.

Confirmation of the identities of the four bodies, through DNA testing, is under way and will take several days, U.S. officials said.

The three-hour gunbattle also raised hopes among military and intelligence officials that Saddam - who many believe may be alive - will be captured or killed in the coming days.

The elusive Iraqi leaders had avoided capture and death from U.S. bombing raids and an intensive hunt by special-operations commandos after the war in Iraq began March 19. They had been reported killed during two air strikes at the beginning and end of the conflict.

During the raid yesterday, U.S. forces used small-arms fire and TOW anti-tank missiles in an operation that began about 10 a.m. local time.

"It was a well-coordinated military operation, and we're happy with the outcome," Army Brig. Gen. Frank Helmick, who took part in the raid, told Fox News Channel from Mosul.

As U.S. troops approached the building, someone inside opened fire and the battle began, he said.

The troops were unable to get inside the building, and then fired the TOWs - wire-guided missiles - and called in OH-58 Kiowa helicopter gunships, Gen. Helmick said.

Military officials believe Uday and Qusai had fled to Mosul from areas further south after stepped-up military operations in those regions in a search for Iraqi guerrillas and former regime officials.

The leaders also may have been preparing to flee the country.

In other developments, an international aid worker was fatally shot and his Iraqi driver wounded in an attack south of Baghdad yesterday, the International Committee of the Red Cross said.

The shooting appears to be a sign that pro-Saddam guerrillas are targeting more than just U.S. soldiers.

A U.S. troop was killed yesterday and another wounded during a guerrilla attack near Baghdad. The death brings to 153 the number of American troops killed in Iraq since March.

Uday and Qusai were the top leaders in Iraq after Saddam and had been designated the ace of hearts and ace of clubs, respectively, in the U.S. military's deck of cards listing the most-wanted Iraqis from the now-ousted Ba'athist regime.

Qusai, 37, was a member of the ruling Revolutionary Command Council, which was led by Saddam, and was in charge of Iraq's intelligence and security services. He also directed the Republican Guard and Special Republican Guard forces.

His death is likely to make more difficult the search for Iraq's chemical and biological arsenal, which had been in his oversight.

Qusai was considered brutal, according to international human rights groups. One report said he oversaw interrogations of Iraqis who were tortured by being fed into shredding machines.

Military officials said they believe Uday and Qusai had made a decision not to be taken alive and, thus, fought to the death.

Qusai was considered next in line to rule Iraq after Saddam's death and was deputy commander of the Ba'ath Party's military bureau.

Uday, 39, was viewed as mentally unbalanced and had killed several people, including an aide to his father, in fits of rage, according to U.S. officials.

He was widely viewed as corrupt and ran several of the Iraqi companies that profited from the United Nations' oil-for-food program, which brought millions of dollars to Uday's pockets, the officials said.

Uday directed Iraqi state television and the newspaper Babel.

He also was in charge of the Saddam Fedayeen, the Saddam loyalists who conducted suicide attacks on U.S. forces during Operation Iraqi Freedom.

The Fedayeen also are believed to be behind some of the recent attacks on U.S. troops in Iraq.

The Plush But Always Perilous Lives Of The Dictator's Three Daughters (WPost)

Hussein and first wife Sajida flank Hala at her birthday party in about 1980. (Reuters Photos)

By Jennifer Frey

The Washington Post, July 23, 2003

Their hated father is hunted and in hiding. Their husbands are gone: Two were shot to death long ago at the behest of their father; the third -- the "loyal" one -- is now in the custody of U.S. officials. The palaces where they once lived in grandeur and privilege have been blasted by American bombs.

Now, as of yesterday, their brothers are dead. In Baghdad -- in the city where citizens celebrated the downfall of the father three months ago -- Iraqis took to the streets to rejoice over the deaths of Saddam Hussein's sons Uday and Qusay.

And so Hussein's three daughters -- Raghad, Rana and Hala -- hide. And wait. And care for their children.

Like their father, Uday and Qusay were known worldwide for the horrors and atrocities they perpetrated on the Iraqi people, and have been hunted since the start of the war. The sisters, though, are a different story. They mostly lived in the background, as is traditional for Muslim women, while their father and brothers committed their terrible crimes. Their names and faces are not well known outside Iraq. And their future is anyone's guess.

According to a telephone interview Raghad gave to the Times of London in mid-June, she and Rana and their combined seven children fled Baghdad the day the city fell but remained in the country, in a small house in an undisclosed location. Hala, the youngest of the sisters, is hiding elsewhere with her children. Her husband, Gen. Kamal Mustafa Abdallah Sultan al-Tikriti, was No. 10 on the list of Iraq's 55 most wanted. He surrendered to U.S. forces on May 17.

Hussein's youngest son, Ali -- born to his second wife, Samira Shabandar, in the 1980s -- is believed to be in Switzerland. Both of Hussein's wives also are believed to be in hiding.

"Once Baghdad fell it was all so quick, all the family went our own ways," Raghad told the paper. "I am not in touch with any of them."

In the interview, Raghad described how she and Rana and their children feared being killed by American missiles the night the war began. "It was just terrifying," she said. "The first night I was on our farm in Baghdad with my sister and our children and 10 missiles fell all around us. We just got to the shelter so we were not hurt but we were very scared."

Their life in seclusion was far different from what she was accustomed to as the daughter of Hussein, she told the newspaper. "I spend my days cooking typical Iraqi food, washing dishes, doing housework, laundry," she said. "I do things I never did in the past because since I was a child we always had maids, housekeepers, and lived in big houses with swimming pools."

Some of that life, though, was lived under house arrest, at the order of her father. The relationship between father and daughters is a twisted one, yet another tangled branch in Hussein's dysfunctional family tree. Raghad, who was born in 1967, and Rana, born in 1969, married brothers who held prominent places in Saddam Hussein's regime. In August 1995, the two men -- Hussein Kamel Hassan Majeed (Raghad's husband) and Saddam Kamel Hassan Majeed (Rana's husband) -- and their wives defected to Jordan, ultimately because Hussein Kamel aspired to take over Iraq. This, of course, struck a terrible blow to Hussein's image of control in Iraq. From Jordan, the men criticized Hussein's regime and became informants for the West against their father-in-law.

The defections enraged Hussein, and he plotted revenge. Certain that Hussein Kamel and his brother would not find long-term asylum in the West, he went about luring the two families back to Iraq. According to Andrew Cockburn and Patrick Cockburn in the 1999 book "Out of the Ashes: The Resurrection of Saddam Hussein," he made personal telephone calls. He cited his love for his grandchildren. He is even believed to have enlisted the unwitting aid of his first wife -- Sajida Khairallah Telfah -- who was in contact with, and trusted by, her daughters -- to reassure his estranged daughters and their husbands that they would be safe, and forgiven, if they returned to Iraq.

Eventually, they believed.

And it was all a lie.

As soon as the group crossed the border, where Uday was waiting, the daughters and the children were taken into custody and transported to Baghdad. The brothers were left on their own. They made their way to a family home in Baghdad. Then they were summoned to the presidential palace and were forced to sign documents that gave the daughters immediate divorces. At that point it appeared their fate was clear. They returned to the family home to wait.

The siege that ended their lives lasted 13 hours. A busload of spectators was brought in to witness it. Uday and Qusay watched from a car. Hussein's special forces were led by none other than Ali Hassan Majeed (known as "Chemical Ali"), the uncle of the men he killed. In the end, both brothers and several other family members were dead.

Raghad and Rana, "once Saddam's favorite children, never forgave him for the killings," the Cockburns wrote. "They assumed he had orchestrated the attack. . . . They continued to live with their . . . children in a family house in Tikrit, never going out, always wearing black, and refusing to see any member of their family apart from their mother."

In Baghdad, rumor has it that one of the sisters used to drive repeatedly by the house where the siege took place, still grieving for her lost husband.

The daughters' public words are more cautious and tempered. In her interview with the Times, Raghad would not address her husband's death and said of her father: "I hope he's alive. He was a very good father."

Raghad and Rana reportedly have tried to gain asylum in England and in the United Arab Emirates, though both efforts are believed to have been unsuccessful. The attempt to go to England was arranged by a cousin of their slain husbands, Izzi-Din Mohammed Hassan Majeed, who received asylum in England in 1995 after fleeing Iraq; he now resides in Leeds. He visited the women in Iraq in late spring and gave an interview to the London-based pan-Arab newspaper Asharq Al-Awsat in early June. In the interview, he described a life much as Raghad later would describe it: No electricity. Cramped quarters. Uncertainty.

"They live in a severe psychological disorder," he said.

And with their father's whereabouts and intentions still unknown, all they can do is wait.

The Brothers Grim (NYTimes)

Editorial

The New York Times, July 23, 2003

Few Iraqis will mourn the deaths of Saddam Hussein's two sons, Uday and Qusay. Like their father, they were mercurial, cruel killers who terrorized and plundered their country so they could live in imperial style. The word from American commanders in Iraq yesterday that the Hussein brothers had been killed in a firefight with American troops in the northern Iraqi city of Mosul was the most encouraging news out of Iraq in weeks. If American forces can now track down Saddam Hussein himself, Iraqis may finally begin to believe that the dictator and his clan will not someday storm back into power.

That Saddam Hussein and his sons somehow managed to escape Baghdad and elude American searchers for so long has been one of the war's many surprises. Washington's inability to find some of its most prominent enemies - Osama bin Laden, Mullah Muhammad Omar and Saddam Hussein - has been frustrating for all Americans. The capture of Mr. Hussein would be especially helpful in pacifying Iraq.

Yesterday's shootout leaves many intriguing questions unanswered. It is not clear where the Hussein brothers were hiding for the past 15 weeks, or what role, if any, they played in the attacks that have killed 40 American soldiers since May 1. If they were moving from house to house in close proximity to their father, Saddam Hussein may be in Mosul as well. The choice of that city as a hiding place by the brothers was somewhat surprising because of Mosul's location, near the Kurdish region where the Hussein family is particularly hated.

The two Hussein brothers were essential pillars of the Baathist dictatorship. Though not as powerful as their father, they were his equals in brutality, well practiced in crimes against their own people.

Qusay, calm and coldblooded, headed the Special Republican Guard. As one of his father's major security lieutenants, he helped organize thousands of executions and disappearances of regime opponents. Uday, infamous for fierce rages, was the organizer of the Fedayeen Saddam death squads, made up of criminals who were freed to kill for the regime. He was also known for torturing athletes during his tenure as head of Iraq's Olympic Committee.

Much more than the capture of Saddam Hussein is needed to turn around what has so far been a tense and troubled occupation. Electricity and other vital services have to be restored on a round-the-clock basis throughout Iraq. Reliable Iraqi police and security services need to be trained and vetted, new jobs found for the unemployed, and the oil industry restored to full production.

Paul Bremer III, Washington's chief civilian administrator in Iraq, plans to unveil today the most specific plan to date for reviving Iraq's economy and public institutions, complete with target goals for the next 60 and 120 days. Realizing his hopes will require more money than Washington originally planned and the active support of the Iraqi people. The demise of the Hussein brothers should make it easier to win that support.

A Good Day In Iraq (WPost)

Editorial

The Washington Post, July 23, 2003

AFTER A LONG, hot season of seemingly relentless stories about guerrilla warfare, sabotage and mounting American casualties, U.S. commanders in Iraq finally had some good news to announce yesterday – and it was very good news indeed. The confirmation that Saddam Hussein's sons, Uday and Qusay, had been killed by U.S. troops who surrounded their hideout in Mosul meant a serious blow to the diehard resistance that has plagued the postwar administration, and a huge boost for the majority of Iraqis, who hated and feared the old dictatorship. Most Iraqis support the U.S. forces in their country because they want Saddam Hussein and the remains of his regime to be eliminated; many also have hesitated to cooperate with the U.S.-led administration because they worry that the dictator will stage a comeback. With the death of men who organized and directed Saddam Hussein's death squads and were his chosen political successors, there is considerably less to worry about.

An opportunity exists for the United States to make this a turning point for the postwar administration. As it happened, the successful operation by troops of the 101st Airborne Division coincided with the first appearance of the new Iraqi Governing Council before the United Nations Security Council, another step by that body in establishing its authority and credibility. The occupation authority under L. Paul Bremer showed flexibility in agreeing to grant the Iraqi council more powers than originally intended. The Pentagon has also embraced one of the Iraqis' ideas in forming militia units that can take over some of the patrol and guard duty now done by Americans. This process of replacing American with Iraqi faces and modifying U.S. plans to accommodate Iraqi initiatives should be accelerated in the coming weeks. And Mr. Bremer ought to be clearer and more aggressive in communicating with Iraqis about when and how they will get a full-fledged representative government.

Meanwhile, U.S. forces must pursue the Iraqi resistance aggressively: Despite yesterday's breakthrough, the recent predictions by U.S. commanders that the guerrilla war would continue and even worsen may well hold. But Mr. Bush should also aggressively seek stronger international support, including that of traditional U.S. allies in Europe and elsewhere who did not support the war. Many countries are holding back potential contributions of troops, civilian advisers and financial resources because they object to the administration's insistence on monopolizing authority over the postwar administration, command of peacekeeping forces and even the distribution of reconstruction contracts. Just as Mr. Bremer has accommodated the desire of Iraqis to play a larger role in the evolving postwar government, the White House should create room in Iraq for all who can help. The time for making the postwar administration work is running short. Yesterday's success ought to be the cue for broadening and accelerating the effort.

Death Of Saddam's Sons Deals Iraqis A Better Hand (USAT)

Editorial

USA Today, July 23, 2003

A steady diet of depressing developments in Iraq came to a halt Tuesday with the news that two of the most important - and ruthless - members of Saddam Hussein's inner circle had received their just desserts.

After getting a tip from an Iraqi informant, U.S. military forces raided a palatial villa in the northern town of Mosul and killed Saddam's sons Uday and Qusay in a fierce firefight.

Their link to Saddam's brutal regime was far more than filial. Younger son Qusay, 37, was regarded as his father's coldblooded heir apparent, controlling elite military units and the feared security forces. The more erratic Uday, 39, headed the Iraqi Olympic Committee and ran the country's main newspaper. He personally tortured or killed political opponents and athletes who did not perform well.

The two sons ranked second and third in the U.S. deck of cards of the 55 most-wanted fugitives from Saddam's ousted regime - Uday was the ace of hearts; Qusay, the ace of clubs. However, they stood shoulder to shoulder with their father, the ace of spades, in instilling dread in Iraqis.

Their fearsome power explains why their deaths have important psychological implications. They help shatter the sense among Iraqis that Saddam loyalists were worming their way back into a threatening presence. But the development also has potential strategic significance. It is an encouraging sign that Iraqis are willing to risk retribution to turn in former tyrants.

Of course, Tuesday's news falls that one card short of the ultimate prize. As long as Saddam is unaccounted for and is assumed to be alive, his specter will haunt U.S. progress in stabilizing and ultimately democratizing Iraq.

By any measure, U.S. efforts have been hampered by the continued grip of terror Saddam has on his countrymen. Though he remains physically out of sight, audiotapes purportedly made by him and broadcast on two Middle East TV stations have urged Iraqis to resist U.S. forces. Their impact has been reinforced by guerrilla attacks on both U.S. soldiers and Iraqis working with Americans. The combination has prompted an increasing number of Iraqis to shrink from cooperating with U.S. efforts to rebuild a post-Saddam Iraq.

Even in that regard, though, the tip that led to the sons' hideout held promise. It showed that some workaday Iraqis would risk informing on the old regime - if the price were right. The U.S. had offered a \$15 million reward for each of Saddam's sons

and \$25 million for Saddam. The unwillingness of anyone until now to claim such riches underscored the strength of their frightening hold.

The U.S. still faces major problems in the coming months and years. Not the least of which are restoring order and basic services to Iraqis and creating viable self-rule among rival ethnic groups and factions.

While none of these can be solved simply, each will go more smoothly once the remaining 19 cards in the deck, particularly the leader of the pack, is removed from Iraq - and from Iraqis' minds - once and for all.

Quagmire? (WSJournal)

Op-ed by F.J. BING WEST

The Wall Street Journal, July 23, 2003

In the doldrums of summer, a gun battle that erased the sons of Saddam has perked up the news. Uday and Qusay were the pillars of Saddam's brutal regime, and perhaps the most feared of all its members. This intelligence and military success will surely infuse some balance into the saturnine reporting from Baghdad. The raid that led to their richly merited deaths demonstrated the unrelenting pressure that is squeezing the remnants of Saddam Hussein's regime. So will the naysayers at last concede that we are doing something -- anything -- right?

The news brought celebrations in the streets of Baghdad, previously peopled, we've been told, only by surly Iraqis who hate our presence there. The market immediately reacted by dropping the price of oil. Yet it is hard for a reader to determine the trends in Iraq when most headlines focus solely on American casualties. Because shipwrecks make news, headlines about sinking ships are not a reliable measure of maritime safety. Late last March, the press rushed so quickly from one side of its own Good Ship Integrity to the other that it almost capsized. There were reports about U.S. forces bogged down in the desert and a flawed Pentagon strategy. While these stories were coming in, Baghdad fell. Phew, that was close.

Similarly, today the media may be overemphasizing the problems in Iraq. We understand that Baghdad is sweltering, electricity is intermittent, Iraqis are sullen, American soldiers are sweaty and their wives want them home. Each American casualty is featured as if our troops were stuck in a quagmire of increasing combat. Thirty-nine Americans have been killed in action since May 1. Each death is a tragedy on an individual level; on a national level, however, this does not presage a crisis. If that rate continued for six months, the risk of a soldier dying would be one in 2,000. A recent Gallup Poll found that 74% of Americans believed the current rate of casualties was to be expected. During the campaign from Kuwait to Baghdad last March, the risk was much higher. And that rate pales in comparison with casualties in Vietnam, Korea and World War II. By historical standards no American unit in Iraq is engaged in serious combat.

Last March, Secretary of Defense Donald Rumsfeld predicted that some in the press would call Iraq a quagmire. In argument by analogy, Iraq is compared to the past U.S. presence in Somalia and of course in South Vietnam, which fell to a North Vietnamese army equipped with Soviet tanks and Chinese artillery. The quagmire tag line refers to Vietnam between 1962 and 1965, when the success of the Viet Cong guerrillas led to higher numbers of American troops and casualties. When the Viet Cong were attrited, the North Vietnamese took their place.

The emotional effect of suggesting a quagmire is to induce pessimism or, as Shakespeare would say, to take counsel from one's fears. According to this line of logic, the low-level violence in Iraq can be quelled only by more foreign troops, such as the French, who are sidelined due to the administration's unilateralism. So, owing to the absence of the United Nations, more American troops will have to be sent to Iraq, leading to more casualties and placing an intolerable strain on the U.S. military.

It is not clear, though, that the sky is falling. Iraq is a large country with multiple story lines. For instance, whatever became of those Marines last seen in April pulling down that huge statue of Saddam, symbolizing the fall of Baghdad? Ten thousand Marines are now providing security for 12 million Shiite Iraqis in the southern half of Iraq, an area about the size of Utah. It's hot south of Baghdad, the towns are a mess. The Marines are patrolling there in small units, often without helmets and flak jackets.

But shoot at them and they will kill you. Marines know how to fight. Correction: Marines like to fight. They also, in their own parlance, "do windows," meaning they consider it a core mission to act as police, to train a constabulary and to assist in civilian infrastructure and governance. They like to say "no better friend, no worse enemy." We hear nothing about them because shootings are rare, power is restored, crops are irrigated and police are deployed. Yet a few months ago the Shiites in the south were supposedly the real threat, because they would be infected by the virulent anti-Americanism of the Iranian ayatollahs. (There are thousands of U.S. soldiers in Bosnia performing similar jobs and we hear nothing about them either. Shipwrecks make the news, while normalcy is boring.)

The shootings will diminish dramatically when Saddam is put to rest and as the Iraqis establish a governance that treats Saddam loyalists as their enemy. The open terrain does not favor guerrilla bands, and the shooters, far from swimming in a sea of friendly people, are hiding their identities. As yesterday's killing of Uday and Qusay reveals, the Iraqi people are willing to give them up. President Bush has it right: if radicals sneak into Iraq to attack Americans, they will die there. That's better than having

them plot against New York City. A quagmire refers to organized resistance supported and sheltered by a willing population. In Iraq, the vast majority of the people welcomed the American forces.

To be sure, the Iraqis have been disappointed by the slow pace of restoring security, power and jobs. The Pentagon was as ill-prepared for the peace as it was well-prepared for the war. Yet that institution recognized its mistakes and quickly shifted personnel and plans. In rebuilding Iraq, the U.S. will carry the major external burden, as we did in Korea, and before that in Europe. This will not be particularly dangerous work, but it will be messy and take years.

We should get on with the job. The next American general to grumble that his troops are not policemen should be relieved. Yes, they are policemen – and criminals and Saddam loyalists alike should fear them, while the average citizen should not fear an indiscriminate fusillade from them. Because freedom from risk does not exist, American casualties will continue to make the news. With the death of Saddam's sons, however, it certainly appears the U.S. Army units inside the "Sunni triangle" have taken the offensive and more raids can be expected. In Iraq as in Afghanistan, our troops will indefinitely confront hostile armed bands.

There is nothing new about this. Seventy years ago, the Marine Corps issued a "Small Wars Manual" with instructions for patrolling in barrios, feeding mules, drilling wells and holding elections. The Iraqi war is over and the seemingly tedious work of helping that country pull itself together has begun. Turbulent conditions and episodic violence are definitions of nation-building, a term eschewed yet practiced by the administration. There will no doubt be more shoot-outs like yesterday's in Mosul. But make no mistake, the tyranny has been removed; this war is already won.

Mr. West, a former assistant secretary of defense, is the co-author of "The March Up: Taking Baghdad with the 1st Marine Division," due out from Bantam Books in September.

The End of the Crown Princes (Newsweek)

The belated deaths of Uday and Qusay Hussein are another stage in the liberation of Iraq-and a step forward for Bush and Blair

Newsweek, July 23, 2003

Call it the tale of three corpses. The first two marked the end of one of the biggest mysteries in Iraq. The third marks the beginning of one of the biggest mysteries in London.

The deaths of Uday and Qusay-confirmed on Tuesday by U.S. CENTCOM in Iraq-represent more than just the delivery of American justice to the murderous and sometimes psychotic sons of Saddam Hussein. Their demise in a six-hour battle in the northern Iraq city of Mosul is one of the single most important stages in helping to rebuild the traumatized nation.

Saddam's sons, Qusay, left, and Uday, were killed during a six-hour battle in the northern Iraq city of Mosul

As critical as repairing the decrepit electricity network, their deaths should lay to rest two of the ghouls haunting Iraqi citizens, and blocking their cooperation with the occupying forces. Iraqis have been terrorized by decades of Saddam's tyranny and remain terrified of the criminals and militias operating as saboteurs and guerrillas today. But the terror really lies within: the terror of Saddam's return. According to one group of Pentagon advisers, a group of reconstruction experts assembled by the Center for Strategic and International Studies, that terror is not easily brushed aside.

Robert Orr, vice-president of the Council on Foreign Relations, says that Saddam still loomed large among the Iraqis his group met. "They are still afraid that Saddam is coming back and have not been convinced yet that the changes are inevitable," he told reporters last week. "Until that occurs, they won't be free to fully participate. The small but organized elements that are now killing mayors and attacking police understand this very well. It will be hard for us to get Iraqi leaders to step forward when they see the price being paid by other collaborators."

That calculation changes dramatically with the belated killings of Saddam's sons. They were the future of Saddam's rule and their deaths-while not guaranteeing its end-point to its ultimate demise. In a sense, it's another stage in the liberation of Iraq.

It's also another step forward for President George W. Bush and Prime Minister Tony Blair after weeks of nothing but bad news. Both beleaguered leaders benefit from the distraction of attention away from the daily murders of U.S. troops and the ever-elusive weapons of mass destruction. But more than that, the deaths underscore why they went to war in the first place: to rid the world of a bloody and dangerous regime.

Which brings us to the third corpse-the body of poor David Kelly, the British bio-weapons scientist who committed suicide last week. The hunt is on for Kelly's killer in London, although the real hunt may be for Prime Minister Blair's scalp.

You might think it was obvious who killed Kelly. It was, after all, a dreadfully solitary end to the life of one of the world's best weapons inspectors and the man at the center of allegations that the Blair government exaggerated the threat of Iraqi weapons of mass destruction. In police terms, there is little to investigate. But for the people who whipped up the storm clouds over Kelly's head, the investigation has only just begun. This isn't just a tale of Tony Blair versus the BBC. The appalling irony is that the feeding frenzy that consumed Kelly's life shows no signs of dying with him. If anything, it's getting worse. The judicial inquiry into

the whole sorry affair will find it hard to pick its way through the hype. Yes, Blair's government over-hyped the threat of Saddam's weapons. And yes, the BBC over-hyped Kelly's briefing into a scandalous report about political interference with the pre-war intel.

July 22, 2003 - Lt. Gen Ricardo Sanchez confirms that Saddam Hussein's sons Oday and Qusai were killed today in northern Iraq.

Yet the real killer was the attack dog culture of Britain's media and political circles. Much has been made of Kelly's essential decency, and the unbearable pressure of life in a firestorm. The people responsible for that storm-in what used to be called Fleet Street and what is still called Westminster-are now the self-styled investigators, trying to pin the blame on somebody else.

Of course, it's too much to ask London's media and political life to change itself. They can't help themselves. Whole business models have been built on this kind of media frenzy. Political strategy revolves around how to manage and manipulate it. For weeks the British media has been slapping itself on the back for its aggressive coverage of the pre-war intel. For weeks it has been pooh-pooing the supposedly wimpy American media for failing to hound the Bush administration. Maybe they should not have taken such overweening pride in their coverage.

Such antics have a profound impact on not just the British government, but on life in Iraq and the position of U.S. and British forces on the ground. British ministers spend their days fretting about the scandal of a BBC reporter's stories instead of fretting about how they will ever rebuild Iraq's infrastructure. In turn, that makes London fearful about its role in Iraq and unwilling to take a greater role at a time when U.S. forces are seriously overstretched.

In contrast to U.S. troops who have extended their tours of duty repeatedly, the number of British troops has fallen sharply from the peak of the war: down to about a quarter of their full strength at around 11,000. British officials say this is because their troops are so good at peacekeeping that they don't need so many boots on the ground. Maybe so. But if that's the case, then they should be spending every day training the Americans how to do the same. (Incidentally, the Pentagon's group of external advisers said British patrols in southern Iraq were just as patchy as U.S. patrols in Baghdad, even if they were less intimidating to bystanders.)

Maybe, just maybe, the deaths of Saddam's sons will galvanize Britain-and the rest of Europe-to understand that the hard work in Iraq has only just begun. That work does not involve the pre-war intelligence, important though that is. It involves the post-war job of building a new Iraq that we can all respect.

Bush Aide Takes Blame On Speech (USAT)

By Judy Keen

USA Today, July 23, 2003

WASHINGTON - White House officials said Tuesday that they have found two memos in which the CIA warned last fall that President Bush should not repeat unsubstantiated reports that Iraq tried to buy uranium from Africa.

As a result of those memos, a reference to attempted uranium purchases was removed from a speech Bush gave Oct. 7 in Cincinnati. But Stephen Hadley, deputy national security adviser, said he and other White House officials forgot the memos when Bush's State of the Union address was being written.

In his State of the Union speech Jan. 28, Bush said, "The British government has learned that Saddam Hussein recently sought significant quantities of uranium from Africa." Bush advisers have since said that the line should have been omitted but that they believe it was accurate.

Hadley, deputy to national security adviser Condoleezza Rice, apologized to the president for allowing the dubious intelligence to make it into the high-profile speech. Until now, only CIA Director George Tenet has accepted blame for not catching the reference when his agency reviewed the speech.

Hadley's admission, made in a rare briefing with reporters, shifts culpability for the error back to the White House. The newly discovered memos are sure to perpetuate the controversy and prompt demands from Congress for the resignations or firings of officials involved in the matter.

Florida Sen. Bob Graham, a candidate for the Democratic presidential nomination, said the admission "raises sharp new questions as to who at the White House engaged in a coverup and why President Bush told the nation something that was blatantly false in making his case to go to war."

Hadley said he saw both memos in October; he said one also was directed to Rice. White House communications director Dan Bartlett said Bush saw neither. They said one memo was found Friday and the other was discovered Tuesday in White House files.

Hadley said the lapse was his fault, not Rice's, because he is responsible for checking the accuracy of intelligence included in presidential speeches. "I failed in that responsibility," he said. Asked whether he offered to resign, Hadley said he would not discuss details of his conversation with Bush.

Bartlett said Bush has full confidence in his national security team. "The process failed," he said.

White House officials have acknowledged that Tenet called Hadley before Bush's October speech to ask him to delete the reference to Iraqi efforts to buy uranium as part of its bid to reconstitute a nuclear-weapons program. But Tenet took responsibility for his aides' failure to object to the reference in the January address to the nation.

The controversial passage citing a British intelligence report "should have been taken out of the State of the Union," Hadley said.

"There were a number of people who could have raised a hand" to have the passage removed, Hadley said. "And no one raised a hand."

The disclosure was made moments after administration officials confirmed that Saddam Hussein's sons had been killed Tuesday in Iraq. There were no indications that the timing was intentional. But the release of the information may have a diminished impact because it came out on a day when headlines were dominated by a development in Iraq that was much more favorable to the administration.

The White House has decided to make public as much information as possible in a bid to put the controversy behind them. Officials also have asked Republican allies in Congress and across the nation to defend their conduct.

The damage-control efforts come as polls find that Bush's job-approval rating is dropping, along with public support for his management of the economy and the aftermath of the Iraq war.

Bush Aides Disclose Warnings From CIA (WPost)

Oct. Memos Raised Doubts on Iraq Bid

By Dana Milbank and Walter Pincus

The Washington Post, July 23, 2003

The CIA sent two memos to the White House in October voicing strong doubts about a claim President Bush made three months later in the State of the Union address that Iraq was trying to buy nuclear material in Africa, White House officials said yesterday.

The officials made the disclosure hours after they were alerted by the CIA to the existence of a memo sent to Bush's deputy national security adviser, Stephen J. Hadley, on Oct. 6. The White House said Bush's chief speechwriter, Michael Gerson, on Friday night discovered another memo from the CIA, dated Oct. 5, also expressing doubts about the Africa claims.

The information, provided in a briefing by Hadley and Bush communications director Dan Bartlett, significantly alters the explanation previously offered by the White House. The acknowledgment of the memos, which were sent on the eve of a major presidential speech in Cincinnati about Iraq, comes four days after the White House said the CIA objected only to technical specifics of the Africa charge, not its general accuracy.

In fact, the officials acknowledged yesterday, the CIA warned the White House early on that the charge, based on an allegation that Iraq sought 500 tons of uranium in Niger, relied on weak evidence, was not particularly significant and assumed Iraq was pursuing an acquisition that was arguably not possible and of questionable value because Iraq had its own supplies.

Yesterday's disclosures indicate top White House officials knew that the CIA seriously disputed the claim that Saddam Hussein was seeking uranium in Africa long before the claim was included in Bush's January address to the nation. The claim was a major part of the case made by the Bush administration before the Iraq war that Hussein represented a serious threat because of his nuclear ambitions; other pieces of evidence have also been challenged.

Hadley, who also received a phone call from CIA Director George J. Tenet before the president's Oct. 7 speech asking that the Africa allegation be removed, took the blame for allowing the charge to be revived in the State of the Union address. "I should have recalled . . . that there was controversy associated with the uranium issue," he said. He said Bush and national security adviser Condoleezza Rice were counting on his dependability, and "it is now clear to me that I failed." Hadley said Rice was not made aware of the doubts but "feels personal responsibility as well."

"The high standards that the president set with his speeches were not met," Hadley said, acknowledging that the problem was not solely that the CIA failed to strike the reference from the January speech. "We had opportunities here to avoid this problem. We didn't take them," he said.

It remains unclear why the Africa uranium claim continued to bubble up in key presidential speeches. White House officials insist they did not push hard for the accusation to be included, and the intelligence community largely dismissed the significance of the matter.

The intelligence reports about Iraq seeking uranium from Niger, Somalia and Congo represented only four paragraphs in the Oct. 2 National Intelligence Estimate, the definitive collection of U.S. intelligence's views on Iraq's weapons programs. Iraq's alleged attempt to obtain uranium was not among the "key judgments" used in the report to support the idea that Hussein was reconstituting his nuclear program. Yet the White House twice sought to include it in a presidential speech.

Yesterday, Bartlett insisted that its inclusion in the State of the Union address was "not at the specific request of anyone" and said that one of the speechwriters had come up with the information after reviewing the Oct. 2 intelligence estimate.

The new information amounted to an on-the-record mea culpa for a White House that had pointed fingers at the CIA for vetting the speech, prompting an earlier acceptance of responsibility by Tenet. But that abruptly changed yesterday after the CIA furnished evidence that it had fought inclusion of the charge.

The disclosures punctured claims made by Rice and others in the last two weeks. Rice and other officials had asserted that nobody in the White House knew of CIA objections, and that the CIA supported the Africa accusation generally, making only technical objections about location and quantity. On Friday, a White House official mischaracterized the CIA's objections, saying repeatedly that Tenet opposed the inclusion in Bush's Oct. 7 speech "because it was single source, not because it was flawed."

Shortly after Friday's briefing, Bartlett and Hadley said yesterday, Gerson discovered the first of two CIA memos to the White House from last October. The CIA memo found, dated Oct. 5 and addressed to Gerson, Hadley and others, objected to a sentence the White House included in a draft of Bush's upcoming speech, saying Hussein's "regime has been caught attempting to purchase" uranium in Africa. The officials did not release the memo but said the uranium information was on Page 3 of a four-page document.

Hadley said the CIA -- the memo was not signed -- said that the amount was in dispute and that it was not clear the material "can be acquired from the source." The CIA also pointed out that Iraq already had its own supply, 500 tons, of the "yellowcake" uranium ore it was accused of seeking.

The second memo, dated Oct. 6 and sent to Hadley and Rice, was brought to the White House's attention yesterday by the CIA, the officials said. In response to another draft of the speech that had already deleted the uranium reference, the memo included fresh CIA objections to the charge, saying there was "weakness in the evidence" and that the attempted purchase "was not particularly significant," Hadley said.

The new information disclosed by the White House provides additional material for Democrats who have been criticizing Bush's handling of Iraq intelligence. Sen. Bob Graham (D-Fla.), a former intelligence committee chairman and now a presidential candidate, said the admission "raises sharp new questions as to who at the White House engaged in a coverup." Rep. Henry A. Waxman (D-Calif.), who has been pressing the administration on the matter for months, said, "Congress needs to investigate this with immediate public hearings."

But strategists in both political parties said the lifespan of the criticism, and the possibility of congressional hearings in the fall, largely depends on whether the occupation of Iraq continues to be as violent and chaotic as it has been. Yesterday's disclosures by the White House came at a time of otherwise good news related to Iraq, as the U.S. military confirmed that it had killed Hussein's two sons, Uday and Qusay, and Army Pfc. Jessica Lynch, a rescued prisoner of war, returned to her home town in West Virginia after four months of hospitalization.

Bartlett said he was "almost positive" Bush saw a draft of the October speech containing the Africa claim. "He has no memory of this subtraction being made," Bartlett said.

Bartlett said that while the president is "obviously not pleased," he "accepts the explanation" offered by his aides and has "the highest level of confidence" in his staff. Hadley and Tenet have taken some responsibility for the Africa charge being included in Bush's January speech after a similar accusation was cut from the October speech. Bush has declined to accept responsibility for making the charge.

"The president had every reason to believe that the text of the State of the Union was sound," Hadley said.

Hadley, who told Bush of the forgotten memos, declined to say whether he had offered the president his resignation, and Bartlett said he does not expect any resignations. But Hadley said the issue is not necessarily resolved. "There is always the likelihood we will find additional information," he said.

National Security Aide Says He's To Blame For Speech Error (NYTimes)

By DAVID E. SANGER with JUDITH MILLER

The New York Times, July 23, 2003

WASHINGTON, July 22 - President Bush's deputy national security adviser accepted blame today for allowing faulty intelligence to appear in the president's State of the Union speech. He took responsibility after revealing that the Central Intelligence Agency had sent him two memorandums warning that evidence about Iraqi efforts to obtain uranium in Africa was weak.

The deputy adviser, Stephen J. Hadley, a critical behind-the-scenes player in the Bush White House, told reporters that while he received the memorandums before the president gave a speech about Iraq in October, he had no memory of the warning three months later when the issue came up again in the State of the Union address. He said the two memorandums had been discovered in the last 72 hours.

Looking shaken, he said, "I should have asked that the 16 words be taken out" of the State of the Union address, and added, "I failed in that responsibility."

Mr. Hadley's account of events today once again shifted the White House explanation of events. Two weeks ago, Ari Fleischer, then the White House press secretary, said the C.I.A.'s concerns about the quality of the intelligence before Mr. Bush's October speech in Cincinnati were resolved by changing the president's language in the State of the Union address.

Today Mr. Hadley said, in fact, that nothing had been resolved. Had he recalled the warnings describing "some weakness in the evidence," the line would have been stricken, he said.

Mr. Hadley's acceptance of the blame seemed likely to fuel the calls for an investigation in Congress. But it also appeared to be part of an effort to end an open feud between the C.I.A. and the White House over who was responsible for the State of the Union imbroglio. Ten days ago the White House fingered the director of central intelligence, George J. Tenet, who accepted partial blame the next day in a statement that said he had never read the draft of the speech that was sent to him.

Mr. Hadley, a lawyer and veteran of the first Bush administration who has a reputation for fanatical attention to detail, did not say if he had offered to resign when he talked to President Bush earlier today. But Dan Bartlett, the White House communications director, said Mr. Bush, who was briefed about the discovery of the memorandums on Monday at his ranch in Texas, "expressed the utmost confidence" in Mr. Hadley and his boss, Condoleezza Rice, whose name was listed as a recipient on one of the C.I.A. warnings.

But Mr. Hadley's account, given in a meeting with reporters at the White House, raised new questions about Mr. Tenet and the C.I.A.

According to the outline of events the White House gave today, Mr. Tenet's warnings to the National Security Council that the information was unreliable came only six days after the intelligence director published it in the "National Intelligence Estimate," the gold-standard of intelligence documents circulated to the highest levels of the administration and to Congress.

"I can't explain that," Mr. Hadley said, referring the issue back to Mr. Tenet. Three months later, on Jan. 24, another senior C.I.A. official, Robert Walpole, sent Mr. Hadley and other White House officials another memorandum that again said Iraq had sought to obtain the uranium, citing the language in the Oct. 1 intelligence estimate.

That memorandum, which was not part of the White House discovery this weekend, was intended to aid Secretary of State Colin L. Powell as he prepared to make the case against Saddam Hussein at the United Nations. But it arrived at the White House just four days before the State of the Union speech, and seemed to support the president's now disputed statement. It contained none of the cautions that Mr. Tenet had voiced by phone to Mr. Hadley and in the two memorandums sent just before the president's speech in Cincinnati on Oct. 7, laying out the case against Mr. Hussein.

Mr. Hadley and Mr. Bartlett said that one of the memorandums was found this weekend by Michael Gerson, President Bush's chief speechwriter. The second was found Monday by the C.I.A. Mr. Bush, they said, was told of the existence of the memorandums on Monday.

CIA Memos On Uranium Fell Through The Cracks (WSJournal)

By JEANNE CUMMINGS

The Wall Street Journal, July 23, 2003

WASHINGTON -- The White House extended blame to National Security Council officials for President Bush's recounting of dubious prewar intelligence about Iraq's weapons, saying for the first time that the NSC had been warned the information was unreliable before it was inserted into the State of the Union address.

In a bid to avert a crisis over the matter, Deputy National Security Adviser Stephen Hadley said the Central Intelligence Agency sent two memos to the NSC in October that raised doubts about British reports that Iraq attempted to buy uranium in Africa to restart its nuclear-weapons program. Until now, the White House had let the CIA shoulder full blame for allowing the sentence in question into the president's speech.

But Mr. Hadley said he and others forgot about those warnings in January when Mr. Bush's speech was drafted, and that lapse contributed to the inclusion of the uranium charge. Mr. Hadley, who received both October memos, said he still doesn't remember seeing them, although he is certain he received and read them. It was his job to vet the foreign-policy section of the presidential address, he said, and "I failed in that responsibility."

He added that his boss, National Security Adviser Condoleezza Rice, also has taken responsibility for the error.

Ms. Rice was unavailable for comment Tuesday. But earlier this month, she said that "if the CIA, the Director of Central Intelligence, had said, 'Take this out of the speech' it would have been gone, without question." The CIA did clear the sentence after the NSC said it would attribute it to British, not U.S. intelligence, a revision Ms. Rice later said made it "technically" accurate.

Mr. Bush recently defended his speech by repeatedly asserting that the CIA had cleared it. CIA Director George Tenet recently issued a statement saying he was responsible for the mistake, since his agency cleared the disputed sentence.

White House Communications Director Dan Bartlett said the president retains confidence in Messrs. Hadley and Tenet. But the revelations likely will fuel Democratic calls for an independent investigation and give new life to a controversy the administration had hoped was behind it.

Massachusetts Sen. John Kerry, a Democratic presidential candidate, called on Mr. Bush to "take responsibility for using flawed intelligence."

The latest information surfaced Friday, when chief speech writer Michael Gerson discovered a CIA memo dated Oct. 5 addressed to him and Mr. Hadley raising issues with several parts of an earlier speech and doubts about the British intelligence. The classified memo was more than three pages and single-spaced, Mr. Hadley said.

Mr. Hadley said the sentence was removed from the earlier speech due to that memo and a telephone call from Mr. Tenet also urging the sentence be struck.

Even so, the CIA sent a second memo the next day addressed to Mr. Hadley and Ms. Rice that again challenged the African uranium sale. It said the evidence was weak, and that such a move wasn't critical to Iraq's attempts to reconstitute its nuclear program.

Blame For Nuke Nuclear Reference Shared (HOU)

CIA didn't want White House to let Bush cite claim

By BENNETT ROTH

The Houston Chronicle, July 23, 2003

WASHINGTON -- A top White House official acknowledged Tuesday that the CIA had pressed him last October not to let the president cite discredited information about Iraq's nuclear weapons program.

Deputy National Security Adviser Steve Hadley said that in two memos he received from the intelligence agency, as well as in a phone conversation with CIA Director George Tenet, he was urged not to use British reports that Iraq was seeking to buy uranium from Africa to develop nuclear weapons.

As a result of that intervention, the mention of uranium was deleted from Bush's Oct. 7 Cincinnati speech on Iraq, but was revived in the president's Jan. 28 State of the Union address to Congress.

Until now, the administration had blamed the CIA for not lobbying hard enough to have the discredited information taken out of the January address, and Tenet has apologized for not raising an objection.

But Tuesday, Hadley -- who reports to National Security Adviser Condoleezza Rice -- also took responsibility for not doing a better job of vetting the president's speech to Congress and ensuring that the sentence was deleted. Hadley said he had apologized to the president.

"I should have recalled at the time of the State of the Union speech that there was controversy associated with the uranium issue," Hadley said in a hastily called and rare 90-minute on-the-record briefing with reporters. Hadley said he did not remember his October discussions with the CIA director or the memos, dated Oct. 5 and 6, when he was looking over drafts of the State of the Union.

In retrospect, the deputy security adviser said he and a number of other administration officials should have flagged the suspect statement on nuclear weapons.

"There were a number of people who could have raised a hand," he said. "And no one raised a hand."

White House officials said that Rice, who briefs the president regularly, almost certainly received one of the CIA memos that included the uranium warning. However, they could not say if she read the document.

They also said that Bush most likely read early drafts of the Cincinnati speech that included the reference to the uranium. However, they said the president was not briefed on why that section was excised in the final version.

The latest disclosure comes as the White House has moved aggressively to stem political fallout from the controversy over whether the president misled the public in the run-up to the Iraq war.

In recent days Democrats have sharpened their criticism of Bush, calling for congressional investigations over the accuracy of the intelligence the president cited.

Polls show Bush's approval rating slipping and more Americans believing that Bush intentionally exaggerated assertions about Iraq prior to the war. In response, the administration has urged its Republican allies in Congress to more publicly defend Bush and stress that ridding Iraq of Saddam Hussein was a worthy cause despite the flap over the wording of one sentence in a speech.

Usually closed-mouth White House officials, in an effort to pre-empt negative news stories, have called reporters in twice to present their version of how the uranium reference slipped into the speech, even declassifying some intelligence documents to make their point.

Officials said Tuesday's briefing was called after White House speechwriter Mike Gerson discovered one of the October memos over the weekend while going through his files. Gerson told officials he did not recall the memo when he drafted the State of the Union.

The latest disclosure also was divulged on a day when it was likely to be overshadowed by the media's focus on the killing of Saddam's sons.

While it has become clear that officials in the White House knew about problems with the uranium claim prior to the January address, White House Communications Director Dan Bartlett said the president still had confidence in his staff and had not sought any resignations.

Hadley would not say whether he had offered his resignation in his conversation with the president, saying that talk was private.

Bush has not publicly taken responsibility for the inclusion of misleading information in laying out his justification for war.

However, Bartlett said the president was unhappy with the revelations about the speech. And Bush's chief of staff has ordered a probe to determine how it came about and how to prevent such lapses in the future.

"The process failed," said Bartlett, who added he could not rule out more information coming out regarding the uranium claim.

Hadley said that in the memos sent by the CIA the objection to the mention of uranium was just one of a number of issues it wanted discussed in reference to Bush's Oct. 7 speech.

He said it was not unusual for agencies to review drafts of speeches and recommend that sections be excised or changed.

Hadley also said Bush's citing Iraq's attempt to purchase uranium in the State of the Union was technically accurate because it was attributed to British intelligence. Last week, British Prime Minister Tony Blair continued to defend the accuracy of the claim.

However, Hadley also said the president has said he does not want any claim in his speeches that the CIA director is not willing to back up.

2nd Key Aide Apologizes For Uranium Claim (DMN)

By G. ROBERT HILLMAN

The Dallas Morning News, July 23, 2003

WASHINGTON - On a day when the White House could have touted a major victory in the simmering war in Iraq, aides instead struggled again to explain how a discredited statement made its way into President Bush's State of the Union address, and his deputy national security adviser apologized for his role.

Stephen Hadley, the top aide to National Security Adviser Condoleezza Rice, said he was joining CIA Director George Tenet in accepting responsibility for including in the Jan. 28 speech a claim that Iraq had sought uranium in Africa, an assertion that had been questioned by U.S. intelligence analysts.

"Somebody should have said 'no,'" Mr. Hadley said. "There are a number of people who could have raised a hand, and the hand didn't get raised."

Mr. Hadley and White House communications director Dan Bartlett, who supervised preparation of the State of the Union address, met with reporters Tuesday at the White House just as U.S. military commanders in Iraq were announcing the deaths of Saddam Hussein's sons, Uday and Qusay.

Mr. Bartlett declined to comment on the deaths, and the White House later issued a statement expressing pleasure over the military action.

Old memos found

In the second White House briefing in four days to discuss questions still lingering from the State of the Union address, Mr. Hadley said two memos to him from the CIA in October were found in recent days, warning that reports that Iraq was seeking uranium in Africa - specifically Niger - to build nuclear weapons were disputed.

Additionally, Mr. Hadley recalled a telephone call from Mr. Tenet with a similar warning about the same time.

The warnings prompted aides to delete references to African uranium in a nationally televised speech that Mr. Bush delivered Oct. 7 in Cincinnati, Mr. Hadley said. But he added that he had forgotten about the controversy as the State of the Union address was being prepared three months later.

"I should have recalled at the time of the State of the Union speech that there was controversy associated with the uranium issue," Mr. Hadley said. "Had I done so, this would have avoided the whole current controversy."

"I failed," he said.

"I've taken responsibility for this with respect to the NSC staff in the same way Director Tenet has responsibility for his agency," Mr. Hadley added. "And the president is going to have to make decisions with respect to both organizations how to make sure that this doesn't happen again."

In the State of the Union address, Mr. Bush said, "The British government has learned that Saddam Hussein recently sought significant quantities of uranium from Africa."

British affirmation

The British still stand behind their statement, but the administration has acknowledged that it should not have been in the speech because of questions about the intelligence and analysis behind it, especially whether it was largely based on documents that later were found to be forged.

On July 11, Mr. Tenet first took responsibility for the misstep, confessing that the CIA had not properly checked the statement. On Tuesday, Mr. Hadley followed, as White House Chief of Staff Andrew Card pressed ahead with an internal review.

The new revelations drew more harsh criticism, particularly from Democrats, about the administration's use of intelligence analysis to build the case for war against Iraq.

"Apparently, at the Bush White House, the buck stops everywhere but the president's desk," said Tony Welch, spokesman for the Democratic National Committee. "After two memos, a call from the CIA and 175 days [since the State of the Union address], only one thing is clear: We still haven't heard the truth from the administration."

Mr. Hadley said he believed that a thorough search of the White House speech files had found all the pertinent supporting documents, but he couldn't be sure.

"You don't know what you don't know," he said.

Mr. Hadley said he had spoken to the president Monday about the controversy and declined to say whether he had offered his resignation.

Agrees with Rice

Ms. Rice was reported to be traveling Tuesday. Mr. Hadley said she, too, regretted that she had not raised the uranium issue.

"We both agree that in permitting the inclusion of those words, the high standards that the president sets for his speeches were not met," Mr. Hadley said.

Mr. Bartlett said that the president still had confidence in his national security team but that clearly, "the process failed."

The president is "responsible for the decisions he makes," Mr. Bartlett said, sidestepping questions about whether the president was ultimately responsible for his own speeches.

"He outlined a case to the American people that was clear and compelling," Mr. Bartlett said. "The bottom line is that he takes responsibility for the decisions he makes, and he has in this case."

Iraqi Rebels Savor Problems Of Bush, Blair (WTimes)

By Fran Coombs

The Washington Times, July 23, 2003

Secretary of State Colin L. Powell yesterday warned pro-Saddam holdouts fighting U.S. troops in Iraq not to take comfort in the political wrangling over intelligence matters in this country and Britain.

"To the extent that they believe [British Prime Minister Tony] Blair and President Bush have been weakened in some way, I think that gives them certainly something they would welcome," Mr. Powell said in an interview with senior editors and reporters of The Washington Times, held in the secretary's conference room at the State Department.

"But they are deceiving themselves if they welcomed it for very long because I think this will all pass in due course," he said. "People will see that what President Bush, Prime Minister Blair and other members of the coalition did was right."

"As more graves are opened, as more mass killings are made known and as Mr. [David] Kay [the former United Nations weapons inspector heading the U.S. search] completes his work in Iraq searching for the evidence needed to make clear to everybody that we knew what we were talking about with respect to weapons of mass destruction, I think this issue of what was in the State of the Union address will fade into insignificance."

Mr. Bush has been strongly criticized by Democrats and repeatedly challenged by media pundits for the statement in his State of the Union speech in January that "the British government has learned that Saddam Hussein recently sought significant quantities of uranium from Africa."

The International Atomic Energy Agency reported in March that the documents on which the charge was based were forgeries, though the British government still stands by the intelligence, saying it has other sources on which to base its conclusions.

CIA Director George J. Tenet has taken the blame for allowing the 16-word sentence to remain in Mr. Bush's speech. U.S. intelligence sources have been unable to independently confirm the British intelligence claim. Mr. Bush's critics continue to argue that he "lied" to push U.S. public opinion to approve of war on Iraq.

Mr. Powell said in the interview yesterday that intelligence "is not always perfect knowledge." He could recall many times "when something looked very good at a particular point in time and looked better over time or looked worse over time as more information came in."

Mr. Powell had taken care not to repeat the claim about the uranium when he made a presentation about Iraq's weapons programs to the United Nations in February.

His concern at that time, he said yesterday, was "not the audience in the Security Council [or] the massive television audience waiting for the 'Adlai Stevenson moment.'"

Rather, he had been worried about the Iraqis who "could shoot down anything I said if I didn't have it right." He observed that no details of his presentation had been challenged by Saddam Hussein's government.

Mr. Powell, asked yesterday to judge the impact the argument over intelligence conclusions was having on Iraqi opposition to U.S. nation-building efforts, said: "Of course, they welcome anything that looks like disarray within the coalition. But is this what is driving them more than their desire to inflict casualties on coalition forces? No, I don't know that it does."

The secretary also appeared not to share Army Gen. John Abizaid's description of the Iraqis continuing to fight U.S. troops. In a break with his own boss, Defense Secretary Donald H. Rumsfeld, Gen. Abizaid, the new commander of U.S. forces in Iraq, told reporters last week that Saddam loyalists in Iraq are waging what he called a "classic guerrilla-type campaign."

Cells of up to eight guerrillas are attacking U.S. troops daily, he said, and have regional financial backing. Mr. Rumsfeld as recently as June 30 rejected the idea of an organized guerrilla resistance in Iraq.

Mr. Powell yesterday echoed Mr. Rumsfeld's viewpoint and dismissed any parallels between Iraq and Somalia or Vietnam, where increasing U.S. casualties prompted the withdrawal of U.S. troops.

"I don't know how classic a counterinsurgency it is yet. I don't know how organized and sophisticated they are yet," he said of the Iraqi opposition.

"I have not yet seen a body of evidence that says this is the equivalent of what we saw in Vietnam and that all of these pieces are connected and that there is one central nervous system that pulls this all together.

"Some of them are nothing more than criminals. Some of them are terrorists. Some of them are people who are resentful of the American presence. ...

"And there are others who realize an American presence is going to work against their interests over time, and they're going to take shots at us," Mr. Powell said.

"But what they will discover is what others have discovered over the years: America has much more staying power and understands that occasionally this kind of effort requires sacrifice as far as the loss of life on the part of our young soldiers."

The retired Army officer, a commander of infantry in Vietnam and former chairman of the Joint Chiefs of Staff, quietly observed: "Every life lost is regretted." Since President Bush declared the war over on May 1, 39 Americans have been killed by hostile fire in Iraq.

Cheney's Intelligence Role Scrutinized (Denver Post)

Critics say VP's influence in making case for war may have led to faulty statements

By John Aloysius Farrell

The Denver Post, July 23, 2003

WASHINGTON - President Bush has drawn most of the critics' fire, but Vice President Dick Cheney's promotion of now-tarnished U.S. intelligence reports about Iraqi weapons of mass destruction also is under scrutiny as details emerge about his role in making the case for war.

The White House has conceded that it was a mistake for Bush to cite with such surety a controversial allegation that Iraq sought to buy uranium ore in Africa. And newly declassified documents released Friday show that Bush overlooked dissenting views by intelligence experts at the State Department and the Department of Energy about the immediacy of the danger posed by Iraq's nuclear weapons program.

Cheney had access to those dissents but was just as sure and certain as the president in selling the war in public, especially when describing Iraq's nuclear program. In one nationally televised interview, on the eve of war, Cheney announced that Iraq had in fact "reconstituted" nuclear weapons. His office says that was a mistake as well.

A look at the record shows that Cheney, as an advocate of war with Iraq, played a significant public and backstage role as intelligence was gathered and reports generated that he and other administration officials used to persuade the public that the

threat posed by Saddam Hussein and his weapons of mass destruction was grievous and imminent. That fear has not been borne out as allied soldiers continue to search the conquered nation for such destructive weaponry.

Cheney's influence on intelligence gathering clearly was felt early in 2002, when the CIA instituted a fact-finding mission after an inquiry from the vice president. Cheney asked agency officials then about now-discredited reports that Iraq was trying to buy uranium ore from Niger, his staff says. The agency decided "on its own initiative" to dispatch an envoy to Africa, says CIA Director George Tenet, but the envoy, Joseph C. Wilson, says he was told by CIA officials that they did so to respond to Cheney's inquiry.

Cheney, in an unusual move, visited the CIA in the summer of 2002 to quiz agency analysts and review the agency's work on Iraq.

And it was Cheney who, in an August 2002 speech before the Veterans of Foreign Wars, kicked off the campaign for military intervention, advancing the doctrine that the U.S. has the duty to employ its power against possible foes in pre-emptive wars.

Cheney's actions look "like a concerted effort to shape the intelligence and whip the troops in line," says Joseph Cirincione, a defense analyst for the Carnegie Endowment for International Peace.

Congressional Democrats are concerned enough about Cheney's role that several are calling for a probe of possible undue influence.

The vice president's advisers scorn the notion, advanced by some of Cheney's foes, that he wields inordinate behind-the-scenes power from his West Wing office.

"He is an American realist. And a hard-liner," says Mary Matalin, an adviser and former aide. But Cheney, she said, "doesn't freelance. He is not going to go out and do something inconsistent with the president's thinking. He doesn't give contracts at the Department of Defense, and he doesn't dispatch the CIA to go do stuff. The suggestion that he is pulling all these levers, well, that is just not part of his job description."

For those who know him, Cheney's involvement in crafting the case for war comes as no surprise. Friend or foe, they see the former Wyoming congressman - the son of a bureaucrat in the Soil Conservation Service who was born in Nebraska and grew up in Casper - as a brilliant political player whose influence has not been diluted by the heart troubles that have marred his term.

"With the possible exception of Bill Gates, Dick Cheney is the smartest man I've ever met," says John Perry Barlow, a social commentator from Wyoming who supported Cheney's early campaigns for Congress. "If you get into a dispute with him, he will take you on a devastatingly brief tour of all the weak points in your argument."

Like the president he serves, Cheney is willing to take risks for a cause, to persevere through the inevitable storms of governing and to spend political capital. And, like Bush, the vice president is also a realist with an underestimated political touch.

But it is as a leading player in the war on terror that Cheney is drawing fresh attention.

The vice president is an ally of a loose affiliation of White House and Pentagon officials known as neoconservatives, in Washington's shorthand, "neocons." Their brand of conservative idealism calls for a bold use of military power, not merely to secure the American homeland but to seize this moment of U.S. dominance and remake the world according to American values, starting in the Middle East.

In 1997, Cheney was among those who signed the Project for the New American Century's "statement of principles." The neoconservative think tank's document called on the U.S. "to challenge regimes hostile to our interests and values ... promote the cause of political and economic freedom abroad" and "to accept responsibility for America's unique role in preserving and extending an international order friendly to our security, our prosperity and our principles."

Other high-ranking Bush administration officials who signed the manifesto include Defense Secretary Donald Rumsfeld and his deputy, Paul Wolfowitz; Cheney's chief of staff, Lewis "Scooter" Libby; and Elliott Abrams, who serves on the White House National Security Council, supervising Middle East affairs. They are joined in the top ranks of the administration by neocon theorist Richard Perle, who sits on the Defense Policy Board; Undersecretary of Defense Douglas Feith, who supervises Iraq's reconstruction and set up the Pentagon's special intelligence unit to review the CIA's work after the Sept. 11 attacks; and others.

In early 2002, Cheney was concerned about intelligence, particularly a report about Iraq seeking uranium ore - known as yellowcake - from Niger. Wilson, a former American ambassador, was sent to Niger by the CIA, met with officials there and cast doubt on the story upon his return. Wilson says the U.S. ambassador to Niger had similar doubts that were reported to the State Department.

A declassified CIA National Intelligence Estimate from earlier this year, released by the White House late last week, contains a warning from the State Department's bureau of intelligence and research that the Niger story was "highly dubious." Secretary of State Colin Powell refused to use it when he made the case for intervention in Iraq before the United Nations in February.

"Knowing how the system works," it is inconceivable that Cheney's office was not briefed by the CIA about his findings, said Wilson, a career diplomat who served under Republican and Democratic administrations. "If you are senior enough to ask the question, then you are senior enough to merit a specific response."

But Jennifer Millerwise, a spokeswoman for Cheney, says the vice president did not know of Wilson's trip or of his findings.

A senior White House official said Friday that Bush never saw the "highly dubious" verdict because it was contained in a footnote that the president failed to read. The president "is not a fact checker," the official said. Yet a reference to the State Department's doubts about the immediacy of the danger posed by Iraq's nuclear program was included in the very first paragraph of the "Key Judgments" that formed the heart of the CIA's National Intelligence Estimate.

Iraq purchased yellowcake from Niger years ago, and one of Wilson's sources did speak of being approached in a mysterious way by an Iraqi seeking an economic transaction that the CIA thought might be about uranium.

The CIA ultimately labeled Wilson's report as "inconclusive." It warned British intelligence not to use the Niger incident when Prime Minister Tony Blair's government issued a dossier on Iraq's weapons of mass destruction in September 2002. The British went ahead, and CIA officials told Congress that "we differed with the British dossier on the reliability of the uranium reporting," Tenet says.

According to administration officials, the CIA also persuaded the White House to remove a reference to the Niger report from a presidential speech on Iraq in October.

Cheney, meanwhile, kicked off the Bush administration's campaign against Iraq with the Aug. 26 speech before the VFW.

"Simply stated, there is no doubt that Saddam Hussein now has weapons of mass destruction," Cheney said. "There is no doubt he is amassing them to use against our friends, against our allies, and against us. ... This nation will not live at the mercy of terrorists or terror regimes."

Throughout the fall and winter, Cheney pressed the case against Iraq. His campaign culminated in a March 16 appearance on "Meet the Press," in which he stated that the U.S. government believed that Hussein "has, in fact, reconstituted nuclear weapons."

Cheney's office says he misspoke and that he meant to say that Iraq had reconstituted its nuclear weapons programs. "The vice president was answering a question about Saddam Hussein's nuclear weapons program, and it was clear from the context of his statement that he was referring to the nuclear weapons program," said Millerwise.

The gathering and analysis of intelligence is supposed to be an exercise of objectivity, removed from partisan, hierarchal or ideological pressure. Presidents and vice presidents rarely visit the CIA, and if they do, it's to make speeches or preside at public ceremonies. Cheney made working visits in the summer of 2002 that were "unprecedented," says Ray McGovern, a retired CIA analyst who believes the vice president was pressuring the agency.

"In my 27 years there, never once did a vice president come to visit on a working basis," says McGovern, a member of a small organization of former intelligence officials who have called on Cheney to resign.

Cheney declined to answer a series of questions sent to him via his office. But Matalin responded, saying that there is no truth to the assertion that the vice president was trying to pressure the CIA to reach a certain conclusion.

The CIA's semiannual reports on the spread of weapons of mass destruction "underwent a dramatic transformation" in the months leading up to the Iraq invasion, notes Cirincione of the Carnegie Endowment for International Peace. "After reporting essentially the same data for many years" the CIA reports suddenly took on a "new alarmist tone" about Iraqi capabilities in 2002.

"Was it just the psychological impact of the Sept. 11 attacks that made previous Iraqi activity now seem more ominous? Did Vice President Cheney's visits to the CIA influence analysts to change their views?" asks Cirincione. "Did the CIA adopt a new methodology in 2002 that skewed their results? Did Vice President Cheney's adviser 'Scooter' Libby advise the analysts as to their conclusions and style?"

As intelligence information moved from classified documents to public consumption via published reports or official speeches, many of the caveats - and qualifiers such as "probably" and "maybe" that give texture to intelligence - were omitted.

A public version of the CIA National Intelligence Estimate released in October 2002, for example, contained several arguable conclusions. It declared that "all intelligence experts agree" that Iraq was buying aluminum tubing for use in enriching uranium, and that Iraq had "begun renewed production of chemical warfare agents."

In fact, experts from the Departments of Energy and State disagreed about the tubing, while the Defense Intelligence Agency had concluded that it had "no reliable information" on whether Iraq was producing and stockpiling chemical agents.

The CIA report also revived the yellowcake allegation, saying Iraq was "vigorously trying to procure" uranium, including "up to 500 tons of yellowcake" from Niger. The allegation was repeated in a State Department fact sheet in December, and Bush's aides then included a reference to Iraq's attempts to get uranium in Africa in his State of the Union address.

Though Bush accurately attributed the report to British intelligence in his speech, the CIA and the White House have since acknowledged that the intelligence about African uranium did not rise to the level of a presidential address. A few weeks after the

State of the Union, the International Atomic Energy Agency and the CIA concluded that documents on which the Niger report was based were forgeries.

"Going down the list of administration deficiencies, or distortions, one has to talk about, first and foremost, the nuclear threat being hyped," says Greg Thielmann, who retired last September as the director of the strategic, proliferation and military affairs office in the State Department's intelligence bureau. "The Bush administration did not provide an accurate picture to the American people of the military threat posed by Iraq."

Democrats in Congress are now pressing for a public investigation of how intelligence was used and whether the CIA adjusted its analyses in response to pressure from Cheney, the Pentagon or the White House.

"It is profoundly important that the president, the vice president and other senior administration officials accurately portray intelligence information," says Rep. Henry Waxman, D-Calif. "President Bush is leading us in a new doctrine of preemptive warfare. ... There is unanimity that preemptive warfare's essential ingredient is accurate intelligence. It can't be founded on theory or suspicion - it needs fact."

Sen. Bob Graham, D-Fla., was more pointed in focusing attention on Cheney. On Sunday's "Meet the Press," Graham said:

"As to the role of the White House in increasing the sense of the imminence of an attack ... the figure that is interesting to me is the vice president. The vice president is the one who went to the CIA on several occasions. He asked specifically for additional information on the Niger-Iraq connection. The United States sent an experienced ambassador, who came back after a full review with a report that these were fabricated documents.

"You cannot tell me that the vice president didn't receive the same report that the CIA received, and that the vice president didn't communicate that report to the president or national security advisers to the president."

Some Democrats Think Intel Ranking Member Isn't Team Player (Roll Call)

By Emily Pierce

Roll Call, July 23, 2003

Sen. Jay Rockefeller's (W.Va.) unwillingness to consult Senate Democratic leaders on his strategy for tackling the White House's potential misuse of intelligence data is raising the hackles of some in his Caucus who fear a lack of a coordinated message could foil Democratic attempts to take full political advantage of the situation.

"He's not the team player we need him to be," one senior Senate Democratic aide said of the ranking member of the Intelligence Committee.

With Democrats raising questions about whether the White House intentionally publicized suspect intelligence to justify the need to invade Iraq, Rockefeller has become a coveted TV news guest. But some Democrats complain that his moderate tone and cautious approach to his panel's inquiry into the White House's use of intelligence is making it more difficult for other Democrats to aggressively criticize the administration and is sending the public mixed messages about the gravity of the situation.

"The leadership can't really do anything about it," the Democratic aide said.

Minority Whip Harry Reid (D-Nev.) denied there was any anger toward Rockefeller, but he noted that the 18-year Senate veteran does not take kindly to leadership interference in his activities.

"He doesn't need to be told what to do, and if you tried to tell him what to do, he probably wouldn't do it," Reid said.

Rockefeller acknowledged that he has been charting his own course in the intelligence matter and said he had not had any conversations with Minority Leader Tom Daschle (D-S.D.) about how he should proceed.

"It wouldn't occur to me to do that," Rockefeller said. "I don't feel I need to check in."

Rockefeller also dismissed the notion that he was not cooperating with Democratic leadership attempts to coordinate the criticism of the White House.

"We've been in total coordination," he said Tuesday in response to questions about the internal criticism.

But in an interview last week, Rockefeller was more blithe.

"It's hard to coordinate. Things move too fast," he said at the time.

A senior Senate Democratic aide said the coordination issue was not a "huge problem" now, but some Democrats fear a continued lack of a coherent message could eventually prevent the party from fully capitalizing on what they view as a principal Bush weakness going into the 2004 presidential election.

Another Senate Democratic aide noted that some lawmakers have also privately complained that Rockefeller has appeared at times to defend Intelligence Chairman Pat Roberts' (R-Kan.) reluctance to initiate a probe.

The staffer also said that Armed Services ranking member Carl Levin (D-Mich.) was so disappointed with what he felt was the limited scope and closed nature of the Intelligence inquiry, as well as Armed Services Chairman John Warner's (R-Va.)

reluctance to initiate an investigation, that he ordered his own committee staff to begin looking into the intelligence used to justify the war.

Levin, however, denied that he launched his own probe because of Rockefeller's agreement with Roberts to have a series of closed hearings.

"It has nothing to do with dissatisfaction," said Levin, who has been calling for a far-reaching, open inquiry.

Rockefeller also has irked some in his party by openly criticizing Democratic presidential candidates who have accused the White House of misleading the American public in this year's State of the Union address.

For example, in a June appearance on Fox News, Rockefeller responded to a question about presidential aspirant Sen. John Kerry's (D-Mass.) comment that President Bush may have "lied" in his State of the Union address about Iraq's pursuit of weapons-grade plutonium:

"The Senator is running for president," Rockefeller said. "And I think that Pat Roberts and I make a distinction between people who are running for president and therefore need to capture attention and what we on the Intelligence Committee have to do."

Rockefeller defended those comments as necessary and proof of his desire to approach the matter with impartiality.

"I've made what people call very bipartisan comments because I've been critical of a couple of presidential candidates, when they say things with a clear political purpose," Rockefeller explained. "But I say it so I can keep my credibility within the intelligence community."

Rockefeller emphasized that, in addition to other reasons, he has been very outspoken in criticizing the administration's attempt to blame CIA Director George Tenet for allowing intelligence gleaned from forged documents to make it into the State of the Union address. He has repeatedly insisted that White House aides, including National Security Adviser Condoleezza Rice, had to have been aware that the intelligence on Iraq's attempts to buy plutonium from Africa had been discredited.

But he acknowledged that he has tried to criticize responsibly, especially following Tenet's appearance last week before the Intelligence panel.

"What I said was balanced and it was sort of forward-looking," he said. "And I think that is my role."

Durbin Accuses White House Of Intimidation (Roll Call)

By Mark Preston

Roll Call, July 23, 2003

Sen. Dick Durbin (D-Ill.) sharply criticized the White House on Tuesday of falsely accusing him of leaking sensitive intelligence information and leading a campaign to discredit him for speaking out against the administration's handling of the Iraqi war.

Using the Senate floor to air his grievance before a national television audience, Durbin claimed White House press officials told reporters Friday that Republican Senators were considering taking steps to try to remove him from the Intelligence Committee - an action supported by the administration - for speaking publicly about a closed-door briefing with CIA Director George Tenet.

The Illinois Democrat described the White House efforts as an attempt to "intimidate" people such as himself for criticizing President Bush's handling of the war and vowed not to be bullied by the administration's tactics.

"If Members of the Senate are going to be subject to this kind of effort by the White House and discouraged from meeting our responsibility, I don't think we are doing the people's business," Durbin said in an interview after delivering his biting floor speech. "When it goes to the point of questioning my integrity over my service on the Intelligence Committee that really is as serious as it gets."

"There is no truth to that at all," Allen Abney, a spokesman for the White House, said of Durbin's allegations.

Durbin's salvo is the latest flashpoint between Democrats and Republicans in the debate over whether White House officials willfully allowed Bush to declare in his 2003 State of the Union address that Iraqi President Saddam Hussein was trying to purchase uranium from Africa to build nuclear weapons.

The Africa information promoted by British intelligence has since been discredited, and in recent weeks the public has learned U.S. intelligence officials were skeptical of the information before Bush delivered his national address in January. In recent weeks, a handful of Congressional Democrats and candidates seeking the Democratic presidential nomination have blasted the White House over the January speech, calling into question whether Bush was being truthful as he sought unequivocal support to wage war against Iraq.

So far, no effort has been made to try to force Durbin to leave the committee, and most Republican Senators refused to discuss the situation. A senior Democratic Senator warned that any effort to try to force Durbin to step down would result in a full-blown political fight.

"The fact that Senator Durbin asks tough questions and perhaps uncomfortable questions ought not be a predicate for having anyone suggest he should be removed from the committee," said Senate Democratic Policy Chairman Byron Dorgan (N.D.). "He is a very valuable member of the Intelligence Committee, very smart and very aggressive, and it would be entirely inappropriate for the Republicans to try and take him off of that committee."

"The decision of committee assignments is our decision, not theirs," Dorgan added.

But a senior GOP Senate aide said many Republican Senators have indeed discussed whether they should try to reprimand Durbin.

"There are rules, laws and conventions about this stuff and Members are wondering how close Dick Durbin is to the line," said the aide, who demanded anonymity. "It is not just White House spin."

Sen. Trent Lott (R-Miss.) said he thinks Durbin had "probably gone too far" in his public statements he made last week about Tenet's testimony.

"I am concerned that there is too much getting out there that should not be, and I hope that Senator Durbin and all members of the Intelligence Committee will be very careful," said Lott, who is a member of the Intelligence Committee.

Another member of the Intelligence panel, Sen. Olympia Snowe (R-Maine), said she has asked Intelligence Chairman Pat Roberts (R-Kan.) to clarify the rules about what committee members can publicly discuss following a closed-door briefing.

"There is a concern among Members of the committee about the type of disclosures that are occurring that are attributed to Senators on the committee in the aftermath of last week's hearing," she said. "We all have to operate by the same rules."

Specifically, Republicans are grumbling about Durbin's decision to reveal in an interview Thursday with ABC's "Good Morning America" that Tenet told the Intelligence panel a White House official insisted the Africa claim be put in the State of the Union speech. Later that day, Scott McClellan, the White House press secretary, described Durbin's claim as "nonsense."

"It was clearly a second-day effort to put pressure on me because of what I have been saying publicly," Durbin said of the White House's alleged smear campaign.

Sen. Orrin Hatch (R-Utah), a senior member of the Intelligence panel, described Durbin's accusations of a White House attempt to discredit him as "typical political talk."

"I know the White House about as well as anybody, and I haven't seen any of that whatsoever," Hatch said.

But Sen. Hillary Rodham Clinton (D-N.Y.) defended her colleague and said the Bush administration has a history of trying to intimidate its critics.

"Senator Durbin is an extraordinarily effective Senator and he cares deeply about the situation we find ourselves in and I have total confidence in him," she said. "Why wouldn't they strong-arm Senators? They strong-arm everybody else."

Interestingly, Hatch, himself was criticized for talking publicly about information regarding Osama bin Laden following the Sept. 11, 2001, terrorist attacks.

"We have to be careful talking about things that come before the committee," Hatch said Tuesday. "That is all I can say. Mistakes are sometimes made. Misunderstandings occur."

Since Sept. 11, Congress and the White House have been sparring about intelligence leaks regarding the war on terrorism. The FBI opened an investigation in 2002 at the request of Sen. Bob Graham (D-Fla.) and Rep. Porter Goss (R-Fla.), the respective chairmen of their chambers' Intelligence Committees, after Vice President Cheney complained about Members leaking information from a closed-door meeting with National Security Agency Director, Lt. Gen. Michael Hayden. The FBI never discovered the source of the leak, but the probe caused Members to question why it was allowing the executive branch to investigate the legislative branch.

Blair Denies Authorizing The Leaking Of Inspector's Name (NYTimes)

By WARREN HOGE

The New York Times, July 23, 2003

LONDON, July 22 - Prime Minister Tony Blair sharply denied today that he approved making public the name of the weapons inspector David Kelly in the running battle between his government and the BBC that led to the scientist's suicide last week.

"Emphatically not," Mr. Blair told reporters during a flight from Beijing to Hong Kong. "I did not authorize the leaking of the name of David Kelly."

The name of Dr. Kelly was disclosed to British newspapers earlier this month by the defense ministry, where he worked, as the likely source for a BBC report saying that one of Mr. Blair's top aides had "sexed up" an intelligence dossier to overcome public doubts about military action in Iraq. Dr. Kelly had confided to officials that he had met with the BBC reporter involved and could discount the reporter's version of the conversation.

The leak, part of a government campaign to discredit the broadcaster, was intended to show that the source of the hotly contested report was not a high level intelligence official as the BBC described him and therefore could not have made the report's damaging contention that Downing Street had inserted into the intelligence document a claim that Saddam Hussein had chemical and biological weapons deployable in 45 minutes.

Last Tuesday, Dr. Kelly underwent a humiliating round of questioning in televised hearings before the House select committee on foreign affairs, and two days later, he took his life, slashing his left wrist with a knife while out walking on a rural footpath near his Oxfordshire home. His friends and family have suggested that the bullying treatment left the intensely private scientist bewildered and overwhelmed.

A formal judicial inquiry led by Lord Hutton, a senior British judge, is scheduled to begin next week. But a flurry of charges and countercharges showed that a vigorous blame game was already under way as the BBC and various parts of the Blair government sought to protect their reputations and deflect responsibility for the events leading to the death of Dr. Kelly.

Mr. Blair's denial that he had betrayed Dr. Kelly's confidentiality shifted the focus onto two of his most trusted aides, Geoff Hoon, the defense secretary, and Alastair Campbell, the communications and security chief. Mr. Campbell was accused in the original BBC report of personally overseeing the doctoring of the intelligence dossier, and he has led the wide ranging attack on the corporation, accusing it of following an "anti-war agenda."

Mr. Blair was on a leg of a Far East tour aimed at enhancing British commercial opportunities in China, but he found himself dogged by questions about the suicide and the ongoing debate in Britain over whether the government manipulated intelligence to bolster its case for war

The British press, on the lookout for any discrepancies in the versions of developments emerging from various ministries, noted that Mr. Blair's denial of any involvement was more thorough-going than a statement made by one of his own spokesmen on Monday in London. "We were consulted," the spokesman had said, "but the Ministry of Defense were the lead department and remained the lead department."

Several British newspapers today interpreted that as an attempt by Mr. Blair's handlers to place responsibility with Mr. Hoon.

The Financial Times said that while the defense ministry adopted an official policy of refusing to name Dr. Kelly directly, they decided they would confirm his identity if journalists came up with his name. The paper said this strategy was sanctioned by Mr. Hoon.

The Ministry of Defense declined to comment on the issue. "We do not want to pre-empt anything that the inquiry will be looking into," a spokesman said.

The Times of London reported that one of the 12 governors of the BBC was pushing for an emergency meeting to consider whether they had been given all the facts about the report and the nature of its source before they agreed last week to issue a statement endorsing its accuracy.

A spokesman for the BBC denied there was any division on the board, and Gavyn Davies, the corporation's chairman, said there were no plans for a speedy session. "All governors agree that there is no need to convene a special meeting of the board," he said. "However it is our prerogative to hold a meeting at any time of our choosing should we consider it necessary."

Two new polls today added to the government's gloom, with a survey in The Guardian showing public trust in Mr. Blair, one of the most popular prime ministers in British history, plummeting to 39 percent, down 12 points in a month. Another, in The Sun, the largest daily tabloid, said that a quarter of voters who supported Labor at the last election two years ago have switched to another party.

As for whether Mr. Blair's future was really in jeopardy, The Guardian was reassuring, showing that despite the number of setbacks to Labor in recent weeks, the party would still capture 36 percent of the votes to 34 percent for the Conservatives if an election were held now. The gap, however, had been 41 to 29 in May.

Iain Duncan Smith, the Conservative leader, may have failed to capitalize on Labor's troubles, but he moved today to leverage the current crisis in the Tories' favor. He said that those who exploited Dr. Kelly should pay with their jobs.

"If it turns out that after having granted confidentiality, Dr. Kelly's name was pushed out into the public domain for political reasons," Mr. Duncan Smith said, "then clearly anyone who is responsible will have to answer that charge and one assumes that their position would quite rightly be untenable."

Blair Denies Authorizing Leak Of Kelly's Name (FT)

By Cathy Newman in Hong Kong and Tim Burt and James Blitz in London
The Financial Times, July 23, 2003

Tony Blair on Tuesday gave his most robust defence of the government's conduct in the David Kelly affair, insisting that it had "acted properly throughout" and dismissing as "completely untrue" charges that he had personally authorised the leak of the weapons expert's name to the media.

But as the repercussions of Mr Kelly's apparent suicide continued to dominate British politics, Geoff Hoon, the defence secretary, came under growing scrutiny over whether he had sanctioned a policy that helped journalists identify the former MoD scientist after information was released about him.

Mr Blair and Mr Hoon may be asked in a forthcoming independent inquiry into Mr Kelly's death to explain whether such a strategy existed and whether more should have been done to protect Mr Kelly's identity.

The BBC - which, like the government, has much at stake in Lord Hutton's inquiry - defended its decision to broadcast the claims at the origin of the row. The report alleged that Downing Street had doctored its dossier on Iraq's weapons of mass destruction last September, a claim for which Mr Kelly was the BBC's principal source.

In a statement, the BBC board of governors quashed reports of a dispute in their ranks, standing firmly by a unanimous declaration issued two weeks ago that it was "in the public interest" to broadcast the story by BBC reporter Andrew Gilligan.

The BBC also told the FT that it intends to defend its decision to broadcast Mr Gilligan's report by supplying the independent inquiry by Lord Hutton with tape recordings of conversations between Mr Kelly and another BBC reporter, Susan Watts.

In a submission to Lord Hutton, the corporation will concede that the BBC board of governors, other officials and journalists were wrong to describe the source of Mr Gilligan's report as "intelligence sources". But it remained unclear how the taped conversation between Ms Watts and Mr Kelly could substantiate Mr Gilligan's broadcast. Ms Watts reported on June 4 that her source - Mr Kelly - "was not disputing that the 45-minute assessment was included in the dossier by the intelligence services". Mr Gilligan five days earlier had reported his source as saying that "the [dossier's] transformation . . . took place at the behest of Downing Street".

Questioned by journalists on a flight to Hong Kong as to whether he authorised Mr Kelly's name to be leaked, Mr Blair answered: "That's completely untrue." He added: "My starting point going into the inquiry is that I believe we have acted properly throughout."

He was then asked whether the Ministry of Defence had confirmed on July 9 that Mr Kelly was the unnamed official who had informed the MoD that he was the possible source for a BBC report on the government's Iraq dossier. Mr Blair replied: "That's a completely different matter once the name is out there."

The BBC Must Not Be A Casualty Of War (FT)

Op-ed by Chris Smith

The Financial Times, July 23, 2003

All of us in the Westminster village - politicians, government officials, journalists - ought to be ashamed of ourselves. All too often we treat the political debate as a game: who's up, who's down, who said what to whom, who can be tripped up with what. Then reality intrudes, in this case in horribly tragic fashion. It ought to bring us up short, to remind us of what truly matters, to concentrate our minds on the big questions. Yet within hours we are at it again, with a parade of apologists for one side or the other being dismissive or triumphalist in turns.

For what it is worth, I suspect that Andrew Gilligan did amplify what he had been told by David Kelly, in order to make it sound more dramatic - though the concerns Mr Kelly had about the government's published statements were real enough. I suspect that Alastair Campbell, the prime minister's director of communications, did indeed put added emphasis and gloss on to the raw intelligence material presented to the government - although I do not believe he inserted anything that was not there in the first place. I suspect that the Ministry of Defence did put Mr Kelly's name into the public domain, believing that this would help the government's "case" against the BBC.

I suspect that Greg Dyke, the BBC's director-general, and Gavyn Davies, the chairman, were delighted to have a chance to show their independence from a Labour government - though they also wanted to stand firm in not revealing journalistic sources. And I suspect that the board of governors of the BBC accepted a little too readily the version of events set before them by their executives. It is something they are wont to do and they always need to remember their responsibilities as regulators, not just as managers.

I hope that Lord Hutton will search diligently through all of this undergrowth and establish clearly where the truth lies. It is important, of course, that he does not artificially limit the scope of his inquiry. If the logic of his investigation takes him into broader issues, unravelling exactly why we went to war and the validity of the stated reasons given at the time, that is what he should examine. He should realise that he is in an impregnable position. The government cannot place artificial barriers on his work, however much it may want to. He must have a look at whatever he thinks is necessary to get at the truth.

In all of this, however, there is one thing of which I am sure. Public service broadcasting itself must not become a casualty of the conflict. The BBC is the most important of our public service broadcasters. It is a fundamentally important part of the life of the nation. It is of greater value than any individual politician. It also has great responsibilities. And it does not always get everything right. But it cannot and should not become a victim to be threatened, scapegoated and kicked around by whoever wants to gain a momentary upper hand in the media war that - sadly - has now restarted.

I have been particularly alarmed in the past few days to hear some of my parliamentary colleagues talking about the future of the BBC's status and licence fee income, in the light of the 2006 review of its charter. This is little short of blackmail; and to make an explicit link between the events of the recent past and the BBC's overall future would be outrageous. Any decisions about how the BBC is funded and governed, and what the shape of our public service broadcasting landscape should be, must be taken at the appropriate time on their merits. They should not be influenced by any pique about a particular argument or spat, however controversial.

Of course the BBC is going to be robustly independent. Of course it is going to "defy" the sitting government from time to time. Even if it sometimes gets that defiance slightly wrong, it must continue to criticise. That is what it is there for. I remember when I was talking with China's minister for broadcasting, a few years ago, and he complained about the BBC's critical reporting about Tibet, I told him that - as minister in charge of broadcasting in Britain - I myself was regularly criticised by the BBC. He could not believe we would allow such a state of affairs. But I am proud to live in a country that not only allows such things to happen but also insists on it.

There are entirely legitimate issues to be discussed, as we approach the charter review, about the way the BBC is governed and regulated. I for one have been arguing for some time that the back-stop regulatory power over the BBC governors should rest with Ofcom rather than with the secretary of state: it is important to take it out of the realm of politics. But that point should not get mixed up in a general assault on the BBC, its decisions, its journalism and its ability to be awkward, just so that one side of a current argument can gain ground over another.

A period of reflection is certainly needed, not just about the events that led up to Mr Kelly's tragic death but about the decisions that led to war, the political judgments made since and the importance of independent public service broadcasting in a democracy. Bashing the BBC's fulfilment of this role may be an easy option for some. But in reality it serves the nation ill.

The writer was secretary of state for culture, media and sport 1997-2001

Uneasy Statesmen And Spy Alliance (FT)

By Mark Huband

The Financial Times, July 23, 2003

The cracks in the normally smooth process of intelligence sharing between London and Washington must soon force both governments to accept that the strategy of using intelligence to justify pre-emptive war in Iraq has failed.

This failure is not explained by a faulty or misplaced conviction on the part of the two governments that something needed to be done about Saddam Hussein. Nor do the US Central Intelligence Agency and the UK Secret Intelligence Service (known as MI6) have any doubts about the veracity of most of the information they had assembled.

The failure has been in transforming the intelligence into a credible and enduring political argument.

Secret intelligence is a potent weapon. The sequence of events that led to the apparent suicide last week of David Kelly, the British scientist and former UN weapons inspector, in part stemmed from his portrayal by the BBC as a "senior intelligence source". As controversially, President George W. Bush cited British intelligence as the source of claims that Iraq sought to buy uranium from Niger.

In fact, Mr Kelly was not an intelligence source, while Mr Bush's claim was later proved to be based on forged documents and not on British intelligence. Information drawing on this stock of secret facts has now become a veil used to obscure the shortcomings of a strategy based on secrecy rather than openness.

"Intelligence," a senior intelligence officer told me recently, "is that crucial 5 per cent that can make a picture whole." Rarely is it so substantial as to constitute the entire picture. But by falling back on intelligence to justify war, both the US and UK governments sought to transform that "crucial 5 per cent" into 95 per cent of the reason to fight. The dangers of doing so are now emerging.

A crucial but overlooked element in the debate about the credibility of the secret intelligence used to justify the war is that information accepted by the CIA was often rejected by MI6, and vice versa.

The different views of the US and UK intelligence services on the issue of Iraq's alleged attempts to procure uranium are consistent with the way intelligence agencies work but at odds with the way governments work. The increasingly uneasy relationship between statesmen and spies - particularly in Washington - now risks seriously damaging both, as we see the pitfalls

of building a case for war that is dependent on the assessments of the intelligence agencies rather than the ideological convictions of parliaments.

Throughout the lead-up to war, the rationale pursued in Washington held the September 11 2001 terrorist attacks in New York and Washington as the starting point. Within hours of the attacks, the Bush administration sought to implicate Mr Hussein and link the regime to al-Qaeda. In the UK, this link was never accepted by MI6, despite the issue being at the heart of the US rationale for war in Iraq.

Other significant differences existed. In the immediate pre-war period, the CIA concluded that, if left unchecked, Iraq could build a nuclear weapon within one year, while the UK assessed that it would take twice as long. With the outbreak of hostilities, the coalition partners' vastly different assessments of Iraq's military capability and strategy quickly became clear. Again, secret intelligence was the source of these differences.

Herein lies the difficulty for the US and UK governments. To convince their doubting publics of the correctness of war, the governments in London and Washington had at all costs to highlight the common ground and breadth of agreement that existed between them. But to achieve this they used material from intelligence agencies whose positions differed on crucial issues and whose often opposing views are a normal state for the intelligence community.

It is these opposing positions that enrich the US-UK intelligence-sharing process - but which have become the Achilles' heel of the two countries' political alliance. The contradictions in intelligence are clearly untenable as the building blocks of such an alliance. No more so than when they are subject to political opposition and media scrutiny - from which the intelligence agencies can try to keep their distance, leaving their political masters to utter only partial facts while arguing that the full story cannot be told because it is a secret.

Parallel Universes (WPost)

By Anne Applebaum

The Washington Post, July 23, 2003

Late last week Tony Blair made a speech in Washington. Afterward various British journals of record summed up their prime minister's performance. The Daily Mirror found "something quite nauseating" about the speech, in which Blair once again "backed America in what many now view as a war based on lies." The Daily Mail sneered at "Blair the brilliant contortionist, trying to have it both ways." The Guardian, meanwhile, declared that the speech represented a "significant softening" of the prime minister's position on Iraqi weapons, and described the event this way: Blair "stood before hundreds of members of Congress to admit that he may eventually be proved wrong."

Is that what he was doing? Funny, but if you'd been reading the American press, you'd have had quite a different impression. "Bush, Blair Defend Motives Behind War," read the headline in The Post, which failed to detect any "significant softening" in the prime minister's words. The New York Post -- the closest thing Americans have to the Daily Mail -- failed to see anything remotely "contortionist" in the speech either, writing that "Blair's address clearly reflected a nuanced appreciation of America's role in the world." Far from sounding "nauseating," Blair "heralded the role the United States has played in fighting the broader war on terrorism," wrote the Los Angeles Times. Not since Mikhail Gorbachev simultaneously became an international superstar and the most hated politician in Russia has a political leader enjoyed such disparate reputations at home and abroad.

In part these remarkably different descriptions of the same speech reflect the vagaries of domestic politics. The issues that actually make Blair unpopular in Britain, such as the travails of the National Health Service, are not issues here at all, and some of what we see as his better attributes are considered failings in Britain. Here he's thought eloquent; there he's thought slippery. Here he's thought statesmanlike; there he's thought to be too interested in foreign countries, and not enough interested in his own.

But they also reflect a larger phenomenon that is not much better understood. America and Britain -- along with America and France, America and Russia, America and Botswana, America and anywhere, really -- live in parallel informational universes. By that I mean that the media produced in different cultures don't merely reflect different opinions about the news, they actually recount alternative versions of reality.

Different countries have always had different perspective on the news, of course. But in the world of globalized information, where just about any newspaper or television program in any language is available at the click of a mouse, this isn't supposed to happen anymore. Nowadays we're all supposed to know what everybody else is thinking, to have access to the same images and information, and some of us do. Peasants in rural India gather around village television sets to watch reruns of "Dallas." In different time zones, Japanese and German bankers watch the same images on their Reuters screens. It is often said now that events are monitored around the world in "real time," or that we all live in a "global informational village," as if such a thing had already come to pass.

During the Iraq war, a few Americans and Europeans, at least, began to notice how tiny that village actually is. It wasn't hard to see that the war as broadcast by the BBC or Deutsche Welle was quite different from the war as broadcast by NBC or CNN. Fewer understood that this is not only a Euro-American problem: A German friend visited Poland during the war and was surprised by how much less blood seemed to appear on the Polish evening news. And the differences run much deeper than a disagreement over Iraq, or portrayals of a single event. It isn't just that Europeans have different opinions from Americans about the Israeli-Palestinian conflict, for example, they actually learn different facts and read about different events, and therefore they reach different conclusions. When George Tenet fell on his sword earlier this month over that now infamous piece of British intelligence that made it into the president's State of the Union speech, the story played here as "White House Dumps on CIA." In Britain, it played as "White House Dumps on Britain."

Strangest of all, the availability of alternative points of view doesn't appear to have mellowed anyone's prejudices -- quite the contrary. Nowadays, we all live under the illusion that we are receiving many different types of information, but that we select only the most plausible. In fact, as information multiplies, it grows ever easier to choose to read (or watch) whatever best matches your particular bias, whether national or ideological. If you hate network television's right-wing bias, you can click onto, say, www.globalexchange.org or www.moveon.org. If you hate network television's left-wing bias, you can always watch Fox. Having done so, you'll labor under the illusion that you've picked the most truthful version of events -- but how would you know? Have you actually compared and contrasted the arguments of both sides and come to a judicious conclusion?

What is true here is even more true internationally. If British newspaper readers learned anything of Blair's rapturous reception here last week, they learned it from British articles denouncing the slavish U.S. media. If French television viewers learned anything about American perceptions of the war in Iraq, they learned it from French news items on the jingoistic U.S. media. The prophets of globalization once spoke of a seamless, borderless world, in which national differences would magically disappear. They were wrong.

Weary Brigade Told It'll Leave Iraq (AJC)

4,000 soldiers on front line ordered to pack for Kuwait

By RON MARTZ

The Atlanta Journal-Constitution, July 23, 2003

FALLUJAH, Iraq -- Battle-weary soldiers of the 3rd Infantry Division's 2nd Brigade Combat Team are not heading home to Fort Stewart yet, but they will be moving in that direction soon.

About 4,000 soldiers in the unit that led the Army's attack into Iraq were told Tuesday to begin packing their gear for a move back to base camps in Kuwait later this week.

Military officials called the move "a change of mission" and said it does not mean the unit has orders to deploy home. The unit has been in Kuwait and Iraq for 10 months.

"A change of mission is not the end of mission. We will be used as the [Central Command's] strategic reserve," said Lt. Col. Eric Schwartz, commander of the brigade's Task Force 1-64.

As Central Command's strategic reserve unit, the brigade could be sent to any of the 25 countries in the Middle East and Southwest Asia. It also could be redeployed to Iraq if the situation deteriorates.

And Schwartz said the orders could be canceled if problems in Fallujah, about 40 miles west of Baghdad, worsen in the next few days.

But Schwartz told his staff and company commanders to be ready to leave Fallujah, a city considered one of the last pro-Saddam strongholds, by Saturday. The 2nd Brigade expects to be replaced by elements of the 3rd Armored Cavalry Regiment.

Although no definite date has been set for redeployment home, Schwartz said the move will be good for his soldiers and their morale.

"It makes me feel better as a commander that I can get my soldiers out of a combat zone," he said. Schwartz, 41, of Alexandria, Va., said he was approaching the order to return to Kuwait "with guarded optimism."

The unit has been told twice in recent months to prepare for redeployment, only to have those orders canceled at the last minute. The latest cancellation, little more than a week ago, angered soldiers and families, some of whom felt they were betrayed by the Army's civilian leadership.

Capt. Jason Conroy, commander of the task force's Charlie Company, said Tuesday's order to return to Kuwait was "a move in the right direction."

Charlie Company soldiers, who saw some of the toughest fighting of the war, were both hopeful and skeptical when told of the planned move to Kuwait.

"I'm not going to get too excited yet, because we've heard this before. I'll believe it this time when I see it," said Sgt. Andrew Coffman, 32, of Shawnee, Okla., a weapons specialist for the company.

But Spec. Tony Lyman, 26, of Eugene, Ore., called it "the best news I've heard yet."

"It will take a lot of stress off," agreed Spec. Matt Larimer, 26, of Easton, Pa., "because we won't be under fire all the time."

Members Of Iraqi Political Council Seek Help At UN (WPost)

Officials Ask for Reconstruction Aid and Promise to Act Swiftly to Make Way for Elected Government

By Colum Lynch

The Washington Post, July 23, 2003

UNITED NATIONS, July 22 – Representatives of a U.S.-approved Iraqi political council made their international diplomatic debut today, appealing before the U.N. Security Council for help in funding the country's reconstruction and pledging to move swiftly to pave the way for an elected Iraqi government.

Speaking on behalf of the 25 members of the Governing Council, Adnan Pachachi, an Iraqi foreign minister before Saddam Hussein's rise to power, sought to assure the council that the emerging political leadership represents the legitimate aspirations of Iraq's 26 million people. He said his group's primary goal is to "shorten the duration" of the political transition in Iraq and to "constitute an elected government under a constitution to be endorsed by the population in a free election."

Pachachi was accompanied by Ahmed Chalabi, a former exile leader who enjoys strong Pentagon backing, and Akila Hashimi, who served in Hussein's foreign ministry. Their appearance followed a campaign by the Bush administration and U.N. Secretary General Kofi Annan to persuade the Security Council to recognize the group's legitimacy and to help restore Iraq's security and resuscitate its battered economy.

"We owe a debt to the people of Iraq that can best be honored by our demonstration -- in our word and deed -- of our collective and cohesive commitment to supporting the rehabilitation of their country, now and into the future," Annan's special envoy, Sergio Vieira de Mello, said in his first extensive briefing to the council on Iraq. "The people of Iraq deserve no less."

Today's meeting -- which was designed to present a united Iraqi face to the world -- revealed some tensions within the ranks of the new Iraqi leadership. Chalabi initially threatened to boycott the event because he was not selected to address the council.

Members of the 15-nation Security Council generally expressed support for the July 13 establishment of the governing council as a first step toward self rule. But the representatives of several Security Council members made it clear during today's meeting -- which was briefly interrupted by two protesters who challenged the group's legitimacy before being dragged out of the gallery by U.N. security guards -- said that Iraqis would have to be given more freedom to chart their political future.

"We . . . acknowledge that the governing council is broadly based, composed of many groups of the Iraqi people and may provide the international community with an Iraqi partner with whom she can engage," said Gunter Pleuger, Germany's ambassador to the United Nations. "However, the most important decision, whether the governing council is accepted as the legitimate transitional representation of the Iraqi people, has not been taken yet. This decision will have to be taken by the Iraqis themselves."

Germany joined France and other key council members in insisting that the United States and its military allies must bear chief responsibility for meeting the Iraqis' basic needs and restoring stability. Their position complicates the administration's efforts to solicit foreign aid to help finance the reconstruction and to recruit foreign troops for peacekeeping duty in Iraq.

Germany's stance also reflected the reluctance of council members to make a major commitment to Iraq's reconstruction without assurances that their companies would have access to the Iraqi market.

Secretary of State Colin L. Powell said last week that he is exploring the possibility of pursuing the adoption of a new Security Council mandate that would provide potential troop contributors, including India, with sufficient political cover to participate. Germany, France, Russia and other council members indicated a willingness to restart the negotiations on a resolution that would strengthen the United Nations' role in Iraq.

But U.S. officials and U.N. diplomats in New York said the administration has no immediate plans to introduce such a resolution. "I don't think there's anything quite going to the point yet of whether somebody -- us or somebody else -- might put forward a resolution," State Department spokesman Richard Boucher said. "It's a matter of discussion."

Iraq's Governing Council Gains Support At UN (NYTimes)

By TIMOTHY L. O'BRIEN

The New York Times, July 23, 2003

UNITED NATIONS, July 22 - United Nations Secretary General Kofi Annan and his special representative in Iraq, Sergio Vieira de Mello, warmly embraced Iraq's interim Governing Council today, setting the stage for international recognition of the American-backed council and positioning the United Nations to play a more substantive role in Iraqi affairs.

Speaking at a Security Council meeting convened to hear Mr. Vieira de Mello's assessment of reconstruction efforts in Iraq, Mr. Annan cited the Iraqi council's formation "as an important first step toward the full restoration of Iraqi sovereignty."

While the Governing Council will have the power to staff new Iraqi ministries and oversee some aspects of local security, absolute authority for the time being will still reside with American administrators in Iraq. To that end, Mr. Annan also called for "an early end to the military occupation through the formation of an internationally recognized, representative government."

The United States, struggling to restore order, security and public services in Iraq since the White House declared an end to hostilities there in May, is seeking sorely needed financial and military support from other Security Council members. But Germany, France and Russia, which opposed the invasion of Iraq in fractious and bitter Security Council debates earlier this year, have said they will not pledge troops or money to Iraq without a new United Nations resolution authorizing them to do so.

The American ambassador to the United Nations, John D. Negroponte, made no reference to a new resolution in his Security Council comments today but said that a resolution adopted two months ago outlining the post-war administration of Iraq already envisages financial and military participation by other council members.

The United Nations' international standing was badly damaged when it was diplomatically sidelined before and after the invasion of Iraq, but the nettlesome military and security problems encountered by American forces in post-war Iraq have provided an opening for the United Nations to reassert itself.

"This is a place where the U.N.'s interests and the United States' interests overlap," said Rachel Bronson, a specialist in Middle Eastern affairs with the Council on Foreign Relations. "The U.N. wants to play a role in Iraq and the recognition of the Governing Council is a very important step toward that."

"The fact that Kofi Annan is endorsing the governing council will make it difficult for others on the Security Council not to recognize it as well," Ms. Bronson added.

If Iraq's Governing Council is recognized by the Security Council and the United Nations General Assembly, it would assume an official role as Iraq's representative here, with voting rights in all United Nations bodies. In theory, the Governing Council is meant to serve as a bridge between American military occupation of Iraq and self-rule by the Iraqi people. But the composition of the council has been controversial, largely because of the presence of Ahmed Chalabi, a financier and Iraqi exile who had been chosen by the Pentagon before the war to serve as Iraq's new president.

Mr. Chalabi joined a three-person Iraqi delegation that attended the Security Council meeting today. The delegation was led by Adnan Pachachi, Iraq's foreign minister just before Saddam Hussein seized power in 1968. The third member of the delegation was Akila al-Hashemi, a United Nations specialist in Iraq's foreign ministry while the Hussein regime was still in power.

Political protesters briefly disrupted the Security Council meeting by denouncing Iraq's Governing Council as illegitimate before they were escorted out of the Security Council's chambers.

Iraq's Governing Council was put in place in consultation with Mr. Vieira de Mello, who noted today that "security in Iraq remains tenuous" because of daily attacks on Iraqi police and American soldiers and because of violent and persistent street crime. He noted that poor health care and ubiquitous land mines are two of the most pernicious problems encountered by Iraqis, and that the scale of human rights violations during the Hussein regime have turned out to be even greater than originally thought.

Mr. Vieira de Mello said that "several hundred thousand" Iraqis were murdered by the Hussein regime, with at least an equivalent number unfairly incarcerated or tortured. He said a new Iraqi government must have among its goals the protection of civil liberties, the creation of an independent media, and the assurance of equal rights for women.

Mr. Pachachi echoed many of Mr. Vieira de Mello's sentiments in his comments here, describing the administrative challenges facing the Governing Council as "enormous." He said the council plans to hire 30,000 police and to try to absorb about 200,000 demobilized Iraqi soldiers into the work force.

"Our primary goal is to shorten the duration of the interim administration," and pave the way for a new constitution and a popularly elected government in Iraq, Mr. Pachachi said.

Delegates Vow Iraqis Won't Let Tyranny Return (WTimes)

By Betsy Pisik

The Washington Times, July 23, 2003

NEW YORK - Delegates from Iraq's new Governing Council told the U.N. Security Council yesterday that despite continuing insecurity and economic turmoil the Iraqi people were determined never again to accept a tyrant's rule.

"They have tasted freedom and would never return to the era of fear and injustice," said Adnan Pachachi, a former Iraqi foreign minister who serves on the U.S.-appointed 25-member Governing Council. "The state intelligence services and mandatory arrests and random executions are done for once and for all."

The three delegates, dispatched to New York in one of the council's first acts last week, also laid claim to the four-story town house that lodges Iraq's U.N. Mission, which still is occupied by a half-dozen appointees of ousted dictator Saddam Hussein.

Governing Council member Ahmed Chalabi, leader of the Iraqi National Congress, said he had discussed the mission's political and structural rehabilitation with the current charge d'affaires.

But the delegates said they felt no need for formal recognition from the Security Council as the official representatives of Iraq.

Participation in the U.N. council meeting yesterday was, by itself, "considered by the people of Iraq to be a recognition of the country's sovereignty," said Mr. Pachachi, who was accompanied by Mr. Chalabi and Aqila al-Hashemi, a diplomat who had served under the former regime and who is one of three women on the Iraqi council.

The delegates were welcomed by all members of the Security Council, except Syria and two protesters who shouted catcalls, helping to set the tone for the involvement of more countries in peacekeeping operations in Iraq.

The State Department said Monday that it would wait to see how the delegation was received at the headquarters of the United Nations in New York before deciding whether to seek a new Security Council resolution that would make it easier for France, Germany, India and other countries to contribute troops to stabilization efforts in Iraq.

The United States maintains that Resolution 1483, passed on May 22, provides adequate authority for countries wishing to send troops to help in Iraq, but acknowledges that several countries have asked for another resolution with a more explicit mandate.

"Once you start putting such a resolution down, there will be others that come along and say, 'Aha, but if you're going to ask for another resolution for a broader mandate, then the U.N. has more of a role to play than it does now,'" Secretary of State Colin L. Powell acknowledged yesterday in an interview with reporters and editors of The Washington Times in his State Department office.

"Let a debate begin on this subject," he said. "And I'm willing to participate in that debate if it achieves the purpose of getting more people involved.

"I would listen to the arguments, but I can't [say how much authority we would cede to the United Nations] because I don't know what the traffic would demand or the traffic will bear."

The members of the Governing Council were appointed this month by the U.S.-dominated occupation authority in Baghdad, which also holds a veto over the group's recommendations and decisions.

Many Iraqis have been dismissive of the body, saying its members are at best impotent and at worst collaborators with the authority.

Members of the Security Council yesterday pledged to support the Iraqi council, but France, Russia and several others insisted again that full sovereignty must be returned to the Iraqi people as quickly as possible.

"Our collective goal remains an early end to the military occupation through the formation of an internationally recognized, representative government," said U.N. Secretary-General Kofi Annan.

"It is vital that the Iraqi people should be able to see a clear timetable with a specific sequence of events leading to the full restoration of sovereignty as soon as possible."

Mr. Pachachi assured the world body that the Governing Council's "primary goal is to shorten the duration of the interim administration, to pave the way for a new constitution and a popularly elected government in Iraq."

Nearly every speaker yesterday lamented the deteriorating security situation in Iraq, which has been rocked by months of looting, sabotage, carjackings and an unprecedented wave of robberies and assaults.

Sergio Vieira de Mello, Mr. Annan's special representative in Iraq, appealed during a presentation to the Security Council yesterday for more nations to support the reconstitution of the Iraqi army and police forces.

Coalition Curbs Wild Iraqi Press (CSM)

By Ann Scott Tyson

The Christian Science Monitor, July 23, 2003

BAGHDAD - For the first time, coalition authorities in Iraq have shut down an Iraqi newspaper, charging that its publication of a July 13 article calling for "death to all ... who cooperate with the United States" and threatening to publish a list of collaborators' names was a dangerous violation of international law.

A special investigative unit of the Iraqi police on Monday sealed the offices in Baghdad of the semiweekly Arabic newspaper Al Mustaqilla and took into custody its office manager. The manager, whose name was not released, is undergoing questioning.

A search of the premises turned up blank Baath Party membership cards, a sign that the newspaper was "anything but independent," said Coalition Provisional Authority chief spokesperson Charles Heatly.

The case illustrates that despite the commitment of the US-led coalition to a free Iraqi press, there are lines that cannot be crossed. Coalition authorities have warned at least two other newspapers that their coverage was "inciteful to violence" and could prompt action, Heatly said.

New media explosion

More than 100 Iraqi newspapers have sprung up since the fall of the Saddam Hussein regime, when the press consisted of propaganda strictly controlled by the government. "Under Saddam, the papers were all lies," says one Iraqi student.

Today, all around Baghdad, newspaper vendors peddle a variety of colorful Arabic-language publications that cover everything from electricity shortages and crime to salaries.

While they expose the horrors of the previous regime, including the discovery of mass graves, they also criticize the American-led administration in Iraq.

But despite the sudden surge in the number of media outlets, some observers say the coalition authorities need to do more to reach average Iraqis.

The communication gap is also felt in the new US-appointed Iraqi political council.

"The problem is that in the face of hostile media outlets, you don't have national information systems for either the coalition or the governing council, so our message is lost," says Hoshiyar Zebari, political adviser to Masoud Barzani, leader of the Kurdistan Democratic Party and one of the 25 council members.

A recent report issued by the Center for Strategic and International Studies reinforced the message that the CPA needs to communicate more effectively.

The study, commissioned by Defense Secretary Donald Rumsfeld, said that "drastic changes must be made to immediately improve the daily flow of practical information to the Iraqi people."

Civil and military authorities say they frequently contact different Iraqi publications to correct what they consider inaccuracies in reporting.

Still, they stress that bias or rumormongering would not be cause to close down a publication.

An extreme case

The case of Al Mustaqilla, however, was egregious, they say.

On July 13, the newspaper printed on page 2 an article titled, "Death to all spies and those who cooperate with the United States; killing them is religious duty."

"Some people have left behind their patriotism, their homeland, and their honor; they have involved themselves in spying for the Zionists and the US occupation force," the article read. "Killing these people is a patriotic and religious duty."

The article further threatened to "publish a list, which names the individuals who are cooperating with the US occupation in order to make the people give their judgment against them."

After learning of the article, coalition authorities and the special investigative unit of the Iraqi police carried out an investigation of the newspaper's coverage, which culminated in the shutdown on Monday.

"This was too dangerous," Mr. Heatly said. "It was also a breach of international law in terms of the absolutely crystal-clear nature of the incitement to murder."

Iraqis who cooperate with the coalition authorities have already been targeted by anti-US guerrillas. Last week, the pro-US mayor of Hadithah was killed when his car was ambushed by attackers firing automatic rifles as he drove away from his office. One of his sons was also killed in the attack.

Earlier this month, in one of the most serious attacks against pro-coalition Iraqis, seven US-trained policemen were killed when a bomb exploded during their graduation ceremony.

US Shuttters Newspaper In Baghdad (WPost)

'Inciteful' Article Brings Raid And Detention of Editor

By Pamela Constable

The Washington Post, July 23, 2003

BAGHDAD – A local newspaper has been shut down and its manager arrested because of an article that U.S. occupation authorities and Iraqi officials considered an incitement to violence and a threat to human rights in Iraq.

Iraqi police accompanied by U.S. troops raided the offices of Al-Mustaqila newspaper, which means The Independent in Arabic. Neighbors said troops broke down the front door, ransacked the office and detained the newspaper's manager, Abdul Sattar Shalan.

According to U.S. occupation authorities, the paper published an article 10 days ago titled, "Death to all spies and those who cooperate with the U.S.; killing them is religious duty." The headline closely echoed recent threats made by clandestine armed groups against U.S. forces and their Iraqi collaborators.

"The Coalitional Provisional Authority supports and encourages the development of a free and responsible Iraqi press," the occupation agency said in a statement today. But it said Al-Mustaqila "has chosen to threaten the basic human rights of Iraqi citizens" and published a "clearly inciteful article," putting it in violation of occupation press rules.

The U.S. authority has banned all Iraqi media from publishing or airing material it views as inciting political, religious or ethnic violence or promoting attacks on U.S. forces here. It has already shut down one Baghdad radio station and one Shiite Muslim newspaper in Najaf on these grounds.

In a report today, the Paris-based advocacy group Reporters Without Borders criticized the occupation press rules, saying U.S. authorities should ease their restrictions on the Iraqi media and develop more "liberal and democratic" regulations.

The Iraqi Governing Council, appointed earlier this month by U.S. officials, issued a statement today supporting the shutdown of Al-Mustaqila. It said the article in question was "inconsistent with all laws, religious principles and human rights," and that the right to press dissent should not extend to "calling for the shedding of others' blood."

Today, the two-story yellow building that housed Al-Mustaqila was locked and empty, and no copies of the newspaper could be found at any newsstand in downtown Baghdad. But several neighbors described Monday's armed raid in detail and said they were surprised because nothing about the newspaper or its staff had appeared out of the ordinary.

"Everything seemed normal. There was nothing suspicious. They reported on what was happening, including the attacks [on U.S. troops] in Fallujah," said Abdul Mohsin, 40, who manages a printing plant across the street. He said the police and U.S. troops turned the newspaper's office upside down and took some equipment.

Occupation authorities could not be reached for comment tonight. It was not immediately clear whether the article in question had been a news story or an editorial, and there was no information on the whereabouts of Al-Mustaqila's manager or whether any charges would be filed against him.

Several Iraqi newspaper journalists said they knew little about Al-Mustaqila but that they did not feel the U.S. authorities were interfering unduly in their own reporting. More than 50 newspapers and magazines have opened in the capital since the government of president Saddam Hussein was deposed.

"Every day the Americans send a representative with their news, and we are free to publish it or not," said Nadah Shauqat, an editor at Az-Zaman, the best-known Baghdad daily. "We are independent. We publish news and interviews about political groups, but we do not publish propaganda."

US To Set Up Iraq Bank (WPost)

The Washington Post, July 23, 2003

The U.S.-led occupation authority in Iraq invited international banks to help establish a trade finance institution in an effort to boost the country's economic growth by encouraging imports and exports. The authority, led by U.S. Ambassador L. Paul Bremer, set up the Trade Bank of Iraq because the commercial banking system is so damaged by postwar looting that it can't offer the more specialized services that trade finance requires, the authority said.

Jessica Lynch Returns Home Months After POW Ordeal (WSJournal / AP)

The Wall Street Journal/ Associated Press, July 23, 2003

ELIZABETH, W.Va. -- Former prisoner-of-war Jessica Lynch returned home to a flag-waving hero's welcome Tuesday, and in the Army private's first public words since her rescue said: "It's great to be home."

"I'd like to say thank you to everyone who helped and prayed for my return," said Pfc. Lynch, who was brought to the podium in a wheelchair wearing a beret and green Army dress uniform.

Pfc. Lynch received a standing ovation as she entered a media tent and made her brief remarks against the backdrop of a large American flag. Outside, friends and family waved flags and "Welcome Home Jessica" signs, while a marching band warmed up for a parade trumpeting Pfc. Lynch's return home.

The 20-year-old former POW said she did not realize for "a long time" that her ordeal had captured the hearts of millions around the globe. "But I'm beginning to understand because I've read thousands of cards and letters -- many of them from children -- that offer messages of hope and faith," she said.

Pfc. Lynch said she had read "thousands of stories" recounting that when she was rescued, she told U.S. Special Forces that she was an American soldier. "Those stories were right. Those were my words. I'm an American soldier, too," she said.

Pfc. Lynch's 507th Maintenance Company convoy was ambushed March 23 near the Iraqi city of Nasiriyah in an attack that killed 11 soldiers. U.S. forces rescued Pfc. Lynch at a Nasiriyah hospital April 1, while five other captured 507th soldiers, held apart from Pfc. Lynch, were released April 13.

Pfc. Lynch's rescue quickly made an American hero out of the petite blonde who joined the Army to get an education and become a kindergarten teacher.

"I'm proud to be a soldier in the Army. I'm proud to have served with the 507th. I'm happy that some soldiers I served with made it home alive. It hurts that some of my company didn't," Pfc. Lynch said.

Pfc. Lynch also said she was "thankful to several Iraqi citizens who helped save my life while I was in their hospital."

She said she missed Pfc. Lori Piestewa, 23 years old, who was her roommate, best friend and a member of the 507th. Pfc. Piestewa died of injuries suffered in the ambush.

"She fought beside me, and it was an honor to have served with her," Pfc. Lynch said.

Suffering from multiple broken bones and other injuries, she had arrived at Walter Reed in the nation's capital on April 12. Pfc. Lynch is able to walk with the aid of a walker but still has trouble standing.

She spent more than 100 days at Walter Reed before she was released Tuesday morning. She boarded a Black Hawk helicopter for the trip to Wirt County and arrived in Elizabeth at 1:56 p.m.

After her remarks, Lynch rode in a convertible in a military motorcade through Elizabeth and then to her hometown of Palestine, a community of about 300 about five miles away.

About 2,000 people lined the motorcade route along State Route 14 in hopes of catching a glimpse of Pfc. Lynch.

"We're here to see history," said Mary Elder, 52, of St. Marys.

Using 1,600 yards of donated lawn-chair material, town workers hung hundreds of yellow bows along the motorcade route from Elizabeth to Palestine, about five miles away. By midmorning, seven dozen people gathered along the route to welcome Pfc. Lynch home.

On Monday, Pfc. Lynch was awarded the Bronze Star, Purple Heart and Prisoner of War medals. The Bronze Star is given for meritorious combat service, a Purple Heart is most often awarded to those wounded in combat, and the POW for being held captive during wartime.

Thousands Greet Pfc Lynch On Her Return To West Virginia (NYTimes)

By JAMES DAO

The New York Times, July 23, 2003

ELIZABETH, W.Va., July 22 - Pfc. Jessica D. Lynch, whose ordeal as a wounded prisoner of war in Iraq made her a symbol of American bravery - and also stirred complaints of Pentagon media manipulation - returned to a hero's homecoming in this tiny Appalachian town today.

Private Lynch looked briefly stunned as she was wheeled before a bank of television cameras under a huge white tent here. But she seemed to gather strength and poise as she read a brief statement, giving most Americans the opportunity to hear her voice for the first time.

"I'm happy that some of the soldiers I served with made it home alive," said Private Lynch, 20, whose legs were badly fractured in a vehicle crash just before her capture in March. "It hurts that some of my company didn't."

Riding atop the back seat of a red Mustang convertible, her blonde hair tucked under her black Army beret, Private Lynch was then driven by state troopers through streets lined with hundreds of flag-waving residents to her family's home in nearby Palestine.

"She looked as good as the day she left for the war," said a neighbor, Adam Szabo, 36, moments after a smiling Private Lynch passed by. "I could never have gone through what she did. The fear she felt must have been incredible."

Private Lynch's capture and rescue has endured as one of the most riveting and controversial tales of the war in Iraq. A member of the 507th Maintenance Company, based at Fort Bliss, Tex., she was riding in a convoy that was ambushed near the southern Iraq city of Nasiriyah on March 23. Eleven American soldiers died in the attack, and six others, including Private Lynch, were taken prisoner.

One week later, a team of American commandos rescued her from a hospital in what seemed at the time an extraordinarily daring raid.

In some initial accounts of her capture, unnamed Pentagon officials said Private Lynch had received gunshot and stab wounds and had fired her gun repeatedly at her attackers. Later, however, the Pentagon pulled back from those statements, saying that her wounds appeared to be from the crash of her Humvee and that her gun had probably jammed.

Some early accounts of her rescue also quoted Pentagon officials saying that the Special Operations Forces who rescued her came under fire during the raid. But Iraqis interviewed in Nasiriyah said the commandoes had encountered no resistance.

Critics accused the Pentagon of embellishing her story, saying the Bush administration was trying to use Private Lynch to rally public support at a grim phase of the war, when the American-led march to Baghdad seemed stalled by unexpectedly stiff Iraqi resistance.

But the Pentagon has denied those accusations. And few people here seemed to care about the controversy.

"No matter what happened, she deserves every good thing she can get," Mr. Szabo, a chef at a local restaurant, said. "We just love her."

As an expression of that love, residents of Wirt County have donated money and energy to renovating her family's home, adding two bathrooms and two bedrooms, including one that can accommodate the wheelchair she is expected to need for months to come.

Today's event was carefully planned by the Lynch family with the assistance of state officials. Dozens of state workers were deployed for the past week to clean up the banks of the Little Kanawha River that flows through town, repair local roads and direct traffic for the incoming hordes of camera crews and well-wishers. They also insisted that television cameras not film her struggling to get off the military helicopter that flew her from Walter Reed Army Medical Center in Washington to Wirt County. And they ordered state troopers to prevent camera crews from filming Private Lynch outside her home.

Randy Coleman, a state official who has become the family's spokesman, said Private Lynch planned to focus on her physical rehabilitation program for the immediate future. She is also looking at colleges, possibly to pursue a career in teaching. Gov. Bob Wise has offered her free tuition to any state university in West Virginia.

And she has a boyfriend, officials said: Sgt. Ruben Contreras, who sat with her family today. "When I got down, you picked me up," Private Lynch said to Sergeant Contreras in her statement.

State officials said the family has not made any final decisions on the many book, movie or interview deals she has been offered. They said the family is working with a lawyer in Charleston to review some offers, but has yet to hire an agent.

The blandishments have been plentiful: Diane Sawyer of ABC News sent a locket with a picture of Private Lynch's home. And CBS News, in a move that prompted questions of journalistic propriety, spelled out the other offerings its parent company, Viacom, could provide in the realms of entertainment and book publishing.

Meanwhile, NBC is proceeding with its unauthorized movie about Private Lynch's experiences. NBC said yesterday that it expected to begin production of the movie next month and that revisions to the script have been constant as new details about Mr. Lynch's story have come to light. No date has been set for showing the movie, which is in part based on the experiences of Mohammed Odeh al-Rehaief, the Iraqi lawyer who alerted United States marines that Private Lynch was being held in an Iraqi hospital. NBC said it would continue to pursue story rights from Private Lynch, whose representatives have so far refused the requests.

It is unclear how much of her ordeal Private Lynch will be able to remember. Military officials have expressed doubts that she will recall any of it. But she recounted one vivid moment of her capture today.

"I've read stories that said when I was captured, I said, 'I'm an American soldier too,'" Private Lynch said. "Those stories were right. Those were my words. I'm an American soldier, too."

The homecoming was one of the biggest media events in recent years for West Virginia, and clearly the largest ever in Wirt County. The two-lane state highway through town was lined with dozens of satellite television trucks and visitors' cars, while Governor Wise drove up with an entourage from Charleston to serve as the master of ceremonies.

The fanfare brought out the commercial spirit of local business people. The local Burger Barn set up a street-side grill. The market hawked compact discs featuring songs about Private Lynch recorded by one of its employees. And a man wearing a black Vietnam veterans cap peddled America, P.O.W.-M.I.A. and Confederate flags on the street.

Only a few friends and family members, including Private Lynch's parents, were allowed inside the tent where she read her statement. Just beyond earshot of the loudspeakers, dozens of people craned their necks behind an orange fence to catch a glimpse of the soldier, or a snippet of her statement.

"She embodies the small-town image of the person who does the right thing," said one of those people, Virgene Robinson, who drove in this morning from nearby Marietta, Ohio. "She gives every small town resident something to cheer about."

Justice Still Unserved In Rebuilding (Marin Independent Journal)

Ex-Marin judge reflects on trip to overhaul judicial system

By Jennifer Upshaw

The Marin (CA) Independent Journal, July 22, 2003

Just days after returning from Iraq, former Marin Superior Court Judge Alvin Goldstein already wants to go back.

Goldstein, a San Rafael civil attorney, returned last week from a months-long mission to help overhaul Iraq's legal system.

He joined 24 other Americans, including federal public defender Barry Portman of Novato and former Fairfax police Chief James Anderson as paid advisers.

Thirteen members of the team, through the U.S. Department of Justice's Office of Overseas Prosecutorial Development, Assistance and Training, represented the judiciary in the mammoth task of poring through Iraqi legal code and adding on or implementing human rights standards based on a United Nations declaration.

"I have mixed feelings," Goldstein said of his return to his Loch Lomond-area home. "There's so much to do over there. Everything is in a state of incompleteness."

Members of the delegation reflecting on the experience said they have a sense of satisfaction, although the trip was not without its bureaucratic blips.

During the two-month stint, the group ended its stay by delivering a set of recommendations, but without a thorough review, he said.

"I have a feeling of incompleteness - we did not have the opportunity to critique the program, to review it and to make improvements," Goldstein said. Political tensions in Washington over the mission appear to be turning the effort from a U.S. Justice Department operation into a military one, he said.

"I don't know how this is going to shake out," he said. "There's a problem. The Defense Department and the Justice Department do not see eye to eye on what needs to be done there."

Last week, USA Today reported that senior U.S. District Court Judge Gilbert Merritt, a member of the delegation, was angered over a directive issued by the chief U.S. administrator, Paul Bremer. The directive, according to Merritt, said all contact with the news media must be cleared by top coalition officials. Justice Department officials did not respond to a request for a comment.

Goldstein, holding a copy of the USA Today story, said that while he believed the headline - "Justice Dept. delegation to Iraq couldn't work or talk" - was off the mark, information in the story rung true.

Others who left earlier said they weren't aware of such a policy. While they never felt their speech was restricted, they felt remarks in Iraq were better left to the powers that be.

Novato's Portman said he never felt he couldn't speak to the press; he just chose not to until he returned home.

"I just feel, and this wasn't forced on me, when I'm on foreign soil the U.S. ambassador will do the talking for me," he said.

Portman said he had other things on his mind at the time.

The group was sent to assess the country's law and order system.

"The assumption was there would be a functioning legal system," he said. "There wasn't."

Civil rights, such as the right to counsel, the right to remain silent and the right to avoid self-incrimination, were lacking in a system rife with confessions obtained through torture and adjudicated by judges who were Baath party members, delegates said.

Many such privileges existed in the Iraqi code of criminal procedure but had not been put into practice during Saddam Hussein's reign, Goldstein said.

Permitting the use of confessions where torture was used was also in the code, Portman said, adding that Iraqi prosecutors filed complaints indicating that torture was used in 30 percent of the felony cases.

The group fanned out across the country in what Portman described as essentially "a down and dirty assessment of how bad it was and how to get it on its feet."

In some cases, carrying on frank conversations with judges surrounded by officers armed with M-16s was hard enough without arriving to interview judges and lawyers only to find the courthouse destroyed.

"The process was a lot more difficult than we thought," he said.

Judge Stephen Orlofsky, of the U.S. District Court of New Jersey in Camden, described the mission yesterday as "interesting, challenging and scary."

He visited five cities in south-central Iraq; four out of the five places he visited had been looted, he said.

"It's clear that there's a war still going on out there," said Orlofsky, who returned home in late June. "It was pretty tense."

Since their mission began, some of the recommendations made by the group have been implemented by the coalition administrator, Goldstein said. They appear to be more than symbolic, he added.

"I got an e-mail yesterday from one of our colleagues in the north telling me the judges are following the proclamations," he said Friday.

Goldstein said the group dispatched to fix the broken system was embraced.

"The enthusiasm our people were greeted with was really heartwarming and makes it all the more difficult that we're not there," he said.

Delegates said that if their recommendations become practice, justice will one day be served.

"I think that with proper mentoring we can get those courts up and running," Orlofsky said. "My personal view is we can turn this around if we can stay the course, but the jury is still out."

DOJ:

A Few Too Many Zeroes (WPost)

By Al Kamen

The Washington Post, July 23, 2003

Economist Michael Boskin, former chairman of the Bush I Council of Economic Advisers, has created quite a stir of late for finding a whopping \$12 trillion in federal taxes -- heretofore unnoticed or under-noticed -- that will be collected in coming years when the baby boomers retire and start drawing on their tax-deferred savings dollars.

Truly wonderful news. That would be more than enough to shore up Social Security and Medicare. What it means, as Rep. Jim Saxton (R-N.J.), vice chairman of the Joint Economic Committee, said in a recent release, is that the "unduly negative portrayals" of the doom-and-gloomers are hogwash.

Barron's first broke the news -- "The Social Security time bomb could very well prove to be a dud," it said -- on June 16. Business Week followed a week later with a cover item on the great discovery. "I'm not saying the whole \$12 trillion is left out of their [the Congressional Budget Office's long-term] calculation," Boskin told the Christian Science Monitor, "but a sizable piece of it is."

But, wouldn't you know it, just as we were waiting for more tax cut checks, we received this e-mail from Boskin last week. The analysis in his paper is fine, he writes, emphasizing that the paper was only a very preliminary draft.

"However, the part of the paper projecting the future contained a programming error that in turn resulted from a word-processing error which I should have but did not catch," he said. (This admission style is more popularly known as a full-frontal Tenet.) Something "was inadvertently dropped from the investment equation," he writes, and this led "to a considerable overstatement of future deferred taxes. I am in the process of correcting this problem, but as the preliminary draft, circulated for comment, has gotten into the public domain . . . I especially want to alert you" to the problem. "Please do not cite or quote anything from the original paper without explicit permission. I apologize for any inconvenience this may have caused you. The fault is entirely my own, not that of anyone who may have quoted the preliminary draft."

As Emily Litella used to say: "Never mind."

Battle of the Bench

Liberal groups are gearing up to fight the much-anticipated nomination of associate White House counsel Brett M. Kavanaugh -- a former Supreme Court clerk, partner in Kirkland & Ellis and brain-truster for special counsel Kenneth W. Starr -- to a seat on the U.S. appeals court here.

Though the nomination appears on track, and is likely to be officially announced soon, Kavanaugh has just switched jobs in the White House. He's now settling into his new job as White House staff secretary, replacing Harriet Miers, who moved up to deputy chief of staff. Unclear how long he'll be in that post, which, depending on who's in it, can be a simple paper-shuffler function or an important axis in the White House operation.

For Kavanaugh, a rising star 'mongst the conservatives, an appeals court seat might be seen as a waste of his equally formidable political and strategic talents. On the other hand, three years of law school usually convinces people that a job wearing a black robe is a big deal.

In the meantime, the thinking may be that these judicial confirmation battles take so long that Kavanaugh can just as easily spend his days as staff secretary than as associate counsel while the battle goes on.

Justice Lawyers Fly to Alston & Bird

Also on the legal front, Ralph F. Boyd Jr., outgoing assistant attorney general for civil rights, and Robert N. Driscoll, chief of staff of the civil rights division, are joining Atlanta-based Alston & Bird's law office in Washington. That's the firm that recently picked up former Senate majority leader Bob Dole (R-Kan.).

The nomination of Boyd's successor, Rene Acosta, who's on the National Labor Relations Board, is pending in the Senate.

On the Move . . .

Meanwhile, there's movement on the foreign affairs front. Secretary of State Colin L. Powell has chosen William and Mary professor Mitchell B. Reiss to head policy planning at Foggy Bottom.

Reiss is not, shall we say, a household name in the diplo arena, and his selection for such a key job -- previously held by foreign policy heavyweights Dennis Ross and Richard N. Haass -- raised eyebrows all around town.

Powell apparently got to know Reiss -- whose specialties are the Korean Peninsula and nonproliferation -- when Reiss was a young White House fellow working at the National Security Council.

And there are more signals that former ambassador to India Robert Blackwill is moving to the National Security Council to pick up one of the biggest and most volatile portfolios around. He's to be strategic counselor to national security adviser Condoleezza Rice and in charge of Iraq, Iran, India and Pakistan (this may not go down well with the folks in Islamabad) and Afghanistan.

Also at the NSC, Emilio Gonzalez, director of western hemispheric affairs, has moved to the law firm of Miami-based Tew Cardenas, to be senior managing director in the firm's governmental affairs practice group. Sloan Rappoport, senior policy adviser to Commerce Secretary Donald L. Evans, is joining the firm as a partner on Aug. 1.

CORPORATE SCANDALS:

Corporate Fraud War: 'High Marks' (AP)

The Associated Press, July 22, 2003

(AP) Bush administration officials gave themselves high marks Tuesday for combating corporate corruption a year after the White House formed a task force in response to the Enron collapse and other white-collar scandals.

"I hope we've seen the worst of it," Securities and Exchange Commission Chairman William Donaldson said after meeting with President Bush for a progress report. "From here on out, the country and the nation, the business community is well informed of the risks" of corporate fraud, Donaldson said.

The White House said its anti-fraud efforts had boosted investor confidence, and Donaldson suggested the administration deserved partial credit for a stock market rally in recent months.

"When you're talking about confidence in a regulatory agency, and in my case the SEC, I think that our actions speak pretty loudly in terms of what we've done," he said. "I think there's a building confidence that the cop is on the beat."

Bush's Corporate Fraud Task Force, with members from an array of federal departments, has taken part in almost all corporate fraud cases brought by federal prosecutors over the last year, according to the White House.

Prosecutors have won more than 250 corporate fraud convictions, charged 354 people with corporate crime and obtained fines, forfeiture and restitution worth more than \$85 million, the administration said.

"We are trying to react to this problem in a swift manner, and to conduct our investigations and prosecutions in a different way and not let them linger on," said Deputy Attorney General Larry Thompson. "And I do think that that sends a message of deterrence."

Yet no charges have yet been brought against former Enron chairman Kenneth Lay, a Bush friend and contributor, or former chief executive Jeffrey Skilling.

The energy trading company, which spiraled into bankruptcy in late 2001, was the first big corporate scandal in what became a stream of accounting failures including WorldCom, Global Crossing, Adelphia Communications and more.

Enron's longtime auditor, Arthur Andersen LLP, was convicted of obstruction of justice in June 2002 for destroying Enron audit documents. The accounting firm now exists only as a shell.

The highest-ranking Enron executive charged to date in the scandal is former chief financial officer Andrew Fastow, who faces nearly 100 criminal charges including fraud, money laundering, conspiracy and obstruction of justice. Fastow has pleaded innocent and is free on \$5 million bond as he awaits trial.

The government's first legal action against Lay and Skilling came last month when the Labor Department filed a civil lawsuit against the company and several former executives and directors, seeking to recover hundreds of millions of dollars in retirement money that Enron employees lost.

A federal judge's recent ruling showed that, in some instances, there is a conflict in trying to push cases of the Justice Department and Securities and Exchange Commission - the two leading players in the task force - simultaneously. The ruling by U.S. District Court Judge Inge Johnson regarding prosecution of HealthSouth, one of the biggest, newest cases of alleged accounting fraud, came amid the government's hot pursuit of the raft of business scandals that provoked public outrage.

Longtime rivals, the two agencies also have cooperated in recent years, and the corporate fraud team enshrines a stepped-up effort to work together.

Since late 2001, the SEC has been pushing what it calls "real-time" enforcement: bringing cases to resolution quickly rather than taking years to pursue them. The strategy gained impetus from last year's landmark legislation cracking down on corporate fraud, which expanded the SEC's civil powers. But some experts believe it may be making the SEC's already-delicate collaboration with the Justice Department more difficult, as reflected in the HealthSouth ruling.

Bush Administration Touts Corporate Crime Record (AFX)

AFX News/CBSMarketWatch, July 22, 2003

WASHINGTON, Jul 22, 2003 (AFX-Asia via COMTEX) -- The Bush administration touted its record of punishing CEOs and helping restore investor confidence at a White House press conference Tuesday, marking the one-year anniversary of President Bush's corporate fraud task force.

"I think the work of the corporate task force has gone a long way in helping to restore the confidence of Americans in their financial markets," said Deputy Attorney General Larry Thompson, who chairs the interagency task force.

White House press secretary Scott McClellan said President Bush is pleased by the task force's success.

From September 2002 through May 31, the Justice Department has obtained over 250 corporate fraud convictions or guilty pleas, including at least 25 former CEOs, the administration said.

Federal prosecutors have investigated over 320 potential corporate fraud matters, encompassing over 500 individuals and companies.

Over the last several months, the Justice Department has been most aggressive in its pursuit of reaching plea agreements with HealthSouth's former chief financial officers as well as senior executives in the accounting department at the Birmingham, Ala.-based operator of rehab centers.

HealthSouth is accused of faking \$2.5 billion in profits.

Notably missing from the Task Force's yearlong efforts are charges against Enron's former leaders Ken Lay and Jeffrey Skilling.

Former CFO Andrew Fastow and his wife Lea, along with others involved in Enron's failed broadband operations, have been indicted.

When asked about the Justice Department's pursuit of high-profile executives yet to be charged, Thompson said federal prosecutors are not taking a "lynch mob mentality" and intend only to bring cases that will be "sustainable in court."

One CEO on the Justice Department's wish list is HealthSouth's Richard Scrushy. A grand jury is investigating his connection to the alleged accounting fraud at the healthcare giant.

From Oct. 1 2002 through June 30, enforcement actions are up nearly 50 percent at the Securities and Exchange Commission over last year's same period.

SEC Chairman William Donaldson said there is a "building confidence out there that the cop is on the beat." He added that the CEOs at the roughly 15,000 U.S. public companies are honest.

The Task Force has also obtained restitution and fines from corporate fraud in excess of \$85 million, the administration said.

The group is comprised of the Justice Department, SEC, Commodity Futures Trading Commission, Federal Energy Regulatory Commission, Federal Communications Commission, and the U.S. Postal Inspection Service.

Feds Step Up Corporate Prosecutions (UPI)

United Press International, July 22, 2003

WASHINGTON, July 22 (UPI) -- According to the Justice Department, prosecutors have opened 200 investigations of corporations nationwide.

It's unknown how many of the probes will lead to charges against businesses, but legal experts predict that more companies than usual will be nailed in the coming months, USA Today reported.

"Clearly we're seeing a stepped-up effort to go after corporate offenders who traditionally got slaps on the wrist," said Sandra Jordan, a University of Pittsburgh law professor.

The campaign against corporate fraud has set off legal brawls between the Justice Department and defense attorneys, who accuse gung-ho prosecutors of overreaching when they charge businesses -- rather than people -- with crimes.

Robert Fiske, a partner at Davis Polk and Wardwell and a former prosecutor, said that an entire firm should not be punished when only a few people may have committed a crime.

"If prosecutors send individuals to jail, that's a far greater deterrent," he said.

Feds Boast of Corporate Fraud Crackdown (Reuters)

Reuters, July 22, 2003

WASHINGTON (Reuters) - U.S. officials on Tuesday trumpeted results of a year-old crackdown on corporate fraud, but declined to say if or when more top executives would be convicted in scandals such as the one that rocked Enron Corp. (ENRNQ.PK).

"One of the things we are steadfast on is that, while we are going to handle these investigations and prosecutions in a vigorous and aggressive manner, we're going to do so in a fair manner that's appropriate to our justice system," said Deputy Attorney General Larry Thompson, head of the inter-agency Corporate Fraud Task Force.

"I think we've made very good progress in all of our investigations. But we're not going to have what I would call a lynch-mob mentality with respect to any corporate executive," Thompson said in a White House press briefing.

More than a year after the White House formed the task force, Thompson said federal prosecutors have obtained more than 250 corporate fraud convictions or guilty pleas.

But few federal investigations of top executives in the most prominent scandals have reached a conclusion.

Samuel Waksal, former chief executive of ImClone Systems Inc. (IMCL.O), was convicted in June for tax evasion and insider trading, sentenced to 87 months in prison and ordered to pay more than \$4 million in fines and restitution. He has been under house arrest and was to report this week to a Pennsylvania prison.

Asked if charges stemming from other corporate scandals would be brought against top executives, Thompson said: "We're going to call them as we see them. We're only going to bring charges against individuals or organizations that are supported by the applicable facts. We're only going to bring cases that we believe can be sustainable. We're going to proceed as rapidly as we possibly can."

Securities and Exchange Commission Chairman William Donaldson said the SEC had filed 443 enforcement actions from Oct. 1, 2002 through June 30, 2003, with three months to go until the end of the federal fiscal year.

In fiscal 2002, the market-regulating SEC filed 598 enforcement actions; in fiscal 2001, 484; in fiscal 2000, 503.

"There's a building confidence out there that the cop is on the beat," Donaldson said at the briefing.

White House Praises Fraud Task Force (FT)

By Adrian Michaels

The Financial Times, July 22, 2003

The Bush administration on Tuesday said its corporate fraud "task force" was helping to restore investor confidence following the wave of corporate scandals at Enron, WorldCom and others.

Headed by Larry Thompson, deputy attorney-general, the task force is "helping to remove suspicion, doubt and uncertainty that pervaded the marketplace one year ago", the White House said on Tuesday.

"Investor confidence is returning and the public is recognising that the vast majority of corporate leaders are honest and ethical stewards of their shareholders and employees."

The one-year-old task force, and an increased enforcement effort by the Securities and Exchange Commission, have seen record numbers of white-collar wrongdoers pursued by the authorities.

"The task force has obtained over 250 corporate fraud convictions or guilty pleas, including guilty pleas or convictions of at least 25 former CEOs," Mr Thompson said. "The task force has, through its work and investigations and prosecutions, charged 354 defendants with some type of corporate fraud in connection with 169 cases."

There are more than 320 investigations pending, involving more than 500 individuals and companies.

In spite of the increased actions, the enforcement authorities are under fire because they have not yet charged some of the most senior figures at companies embroiled in the scandals.

Neither Ken Lay nor Jeffrey Skilling, formerly chairman and chief executive at Enron, has been accused of wrongdoing. Bernie Ebbers, the ex-chief executive of WorldCom, has not been charged.

Mr Thompson said on Tuesday: "We're only going to bring charges against individuals or organisations that are supported by the applicable facts and the law. We're only going to bring cases that we believe can be sustainable in a court of law."

He said the Department of Justice would not be spurred by public opinion alone. "We're not going to have what I would call a lynch mob mentality, with respect to any corporate executive." The SEC said that in its last fiscal year it had filed almost 50 per cent more financial fraud and reporting cases compared with the previous year.

Corporate Fraud Task Force Says Its Restoring Confidence (Dow Jones)

By Alex Keto

Dow Jones Newswires, July 22, 2003

WASHINGTON -(Dow Jones)- A year after President George W. Bush created the Corporate Fraud Task Force, Deputy Attorney General Larry Thompson, who helps head the task force, credited it with helping to restore investor confidence in the soundness of U.S. businesses.

"I think the work of the Corporate Fraud Task Force has gone a long way to restoring the confidence of Americans in their financial markets," Thompson said Tuesday.

Thompson said the task force has obtained more than 250 convictions on fraud charges and 25 of these convictions included former chief executives.

The task force has investigated more than 320 potential fraud cases and obtained fines, restitution and forfeitures in excess of \$85 million, Thompson said.

Bush set up the Corporate Fraud Task Force a year ago in the wake of the corporate accounting scandals that brought down such big name companies as WorldCom and Enron.

Bill Donaldson, the chairman of the Securities and Exchange Commission (News - Websites), said he hoped the nation has seen the worst of the corporate accounting scandals but couldn't guarantee this.

"I hope we have seen the worst of it," Donaldson said. "I wouldn't say looking back over some of the things that have happened in the past that some things won't come to our attention."

He did say that the SEC, which received a boost in its budget to help it crack down on corporate fraud, now has the resources it needs to investigate possible criminal actions. Donaldson said he is adding 700 professionals to his staff and upgrading the technology the SEC uses.

Justice Dept Asks For OFHEO's Help On Freddie Mac (Dow Jones)

By Alex Keto

Dow Jones Newswires, July 22, 2003

WASHINGTON -(Dow Jones)- U.S. Deputy Attorney General Larry Thompson said Tuesday the Justice Department has asked the Office of Federal Housing Enterprise Oversight to join the Corporate Fraud Task Force to help look into the accounting practices of Freddie Mac.

Thompson said the OFHEO "will work with our prosecutors and investigators and the other regulatory agencies."

Last week, the Department of Justice announced that OFHEO was joining President George W. Bush's Corporate Fraud Task Force but didn't link the matter to the investigation of Freddie Mac.

OFHEO is an independent agency within the U.S. Department of Housing and Urban Development. It regulates the safety and soundness of Fannie Mae and Freddie Mac.

Freddie Mac Finance Chief In Admission (FT)

By Demetri Sevastopulo

The Financial Times, July 23, 2003

The chief financial officer of Freddie Mac, the mortgage finance giant, yesterday admitted the lender might have avoided financial scandal had it been under supervision of the Securities and Exchange Commission.

Martin Baumann said he had "no disagreement" with the conclusion by outside lawyers that SEC rules would not have allowed the disclosure practices undertaken by the lender in relation to transactions used to smooth its earnings. Freddie Mac is revising its earnings, which were understated by as much as \$4.5bn.

Testifying before the House energy and commerce committee, Mr Baumann was responding to criticism from Congressman Ed Markey, who has introduced legislation that would force Freddie Mac to register with the SEC.

Asked whether Freddie Mac should compensate shareholders who received lower returns because of understated income, Mr Baumann said the lender would have to answer to class-action lawsuits.

"We feel [shareholders] were misled in the past," said Mr Baumann. Demetri Sevastopulo, Washington

Freddie Mac Probe May Focus Much Of Blame On Ex-President (WSJournal)

By JOHN D. MCKINNON

The Wall Street Journal, July 23, 2003

WASHINGTON -- An internal investigation of accounting problems at Freddie Mac is likely to focus much of the blame on the mortgage company's longtime president while seeking to absolve other officials of any significant wrongdoing, according to two people familiar with its findings.

The report by former Securities and Exchange Commission lawyer James Doty is expected to be released this morning and discussed by Freddie Mac officials in a conference call.

Last month, Freddie Mac fired president David Glenn while the company was in the midst of an accounting restatement, after learning that some entries in his personal notebooks of meetings and other company matters had been altered while others were missing. The company also ousted chairman and Chief Executive Leland Brendsel, as well as Chief Financial Officer Vaughn Clarke.

The report will lay out much of the company's case for taking that extraordinary action, according to people familiar with it. The report could provide a roadmap for federal regulators and prosecutors probing for evidence of fraud or other wrongdoing at the government-chartered mortgage company. But the report isn't necessarily the last word, since investigators at the SEC, Justice Department and other agencies could decide to go further, or in different directions.

As for current Freddie Mac CEO Greg Parseghian, the report will conclude that he was involved in some of the questioned transactions, but relied on prior approval of the deals by company accountants. That could help appease investors concerned about current Freddie Mac executives' exposure. However, the company's federal overseer is looking closely at Mr. Parseghian's role, among others.

The report's most notable disclosures are expected to concern Mr. Glenn and a missing page or pages from his notebooks. People familiar with the report say it is expected to suggest that the missing entry concerned a September 2001 meeting that Mr. Glenn reportedly attended, at which Freddie Mac's accountants from Arthur Andersen LLP raised concerns about a huge financial transaction that the company then was using to funnel hundreds of millions of earnings into future years.

The swap-type maneuver, involving several billion dollars in total, had the effect of moving about \$400 million of operating earnings from 2001 into future years, according to two people familiar with the investigation. At the time of the meeting, the lengthy deal was still in progress, according to one of these people.

The report is expected to say Mr. Glenn's account is that after investigators requested his notebooks, he took home the missing page to review it and later lost it.

Ultimately, the Andersen accountants advised the company not to repeat the maneuver in the future, but didn't insist that existing deals be unwound, according to the people familiar with the report. It involved what were known at Freddie Mac as "linked swaps." Swaps are contracts in which two parties agree to trade cash flows -- for example, the fixed-interest return on \$100 million in exchange for the floating-interest return. They are used to hedge risks.

The deal was one of a number Freddie Mac conducted that had the effect of shifting company earnings into the future. During 2000 and 2001, Freddie Mac officials were worried that a combination of falling interest rates and new federal accounting standards would cause a gusher of earnings in the short run, but ultimately lead to earnings disappointments in the future. Since the late 1990s, the SEC has been waging an enforcement campaign to crack down on improper earnings management.

The linked swaps are believed to be Freddie Mac's only earnings-shifting transactions that didn't have prior approval from Arthur Andersen, according to those familiar with the report. In part because accountants approved the other deals, the report is likely to conclude that other Freddie Mac executives don't face criminal culpability, said a person who read a draft of the report. A spokesman for Arthur Andersen has said the firm wouldn't have approved transactions done for the purpose of improper earnings management. A lawyer for Mr. Glenn, Thomas Vartanian, declined to comment.

The Freddie Mac report also is expected to conclude that the board as a whole didn't preapprove any of the questioned transactions. But it might suggest that the audit committee did preapprove some. It is less certain how the report will describe the board's level of knowledge about some of the deals, and the report is certain to criticize lax-accounting oversight at the company.

GSE Regulatory-Legislation Momentum Grows In US Congress (WSJournal)

By DAWN KOPECKI

The Wall Street Journal, July 23, 2003

WASHINGTON -- The momentum for a new regulator for U.S. government-sponsored enterprises Fannie Mae (FNM) and Freddie Mac (FRE) continues to build in Congress, as another lawmaker introduced late Monday a second bill in the House that would overhaul the Office of Federal Housing Enterprise Oversight.

The legislation, introduced by Rep. Ed Royce, R-Calif., would combine OFHEO with the agency that oversees the Federal Home Loan Bank System into a new bureau within the U.S. Treasury Department.

"The complexity of housing GSE's operations requires a world-class regulator with the stature and the resources necessary to understand the business models of the three entities," Royce said in a statement.

OFHEO has come under fire in recent weeks for failing to more aggressively correct lax accounting practices at Freddie Mac that have led to several federal investigations, shareholder lawsuits and a three-year reaudit of the company's financial statements.

Freddie Mac's new chief financial officer, Marty Baumann, is scheduled to testify Tuesday about the company's accounting problems at a hearing before the consumer protection subcommittee of the House Energy and Commerce Committee chaired by Rep. Cliff Stearns, R-Fla.

Royce's bill is similar to legislation being pushed by Rep. Richard Baker, R-La., which also would move oversight of the companies to Treasury.

Royce's bill, however, doesn't appear to give the new agency the same amount of regulatory power as Baker's legislation would. Baker chairs the House Financial Services subcommittee that oversees the secondary mortgage markets and would likely be the lead architect for the final bill in the House.

Baker's bill also wouldn't overhaul the Federal Housing Finance Board, although the lawmaker has promoted such a plan in the past and has recently said he would support it again if it had enough momentum to pass the House.

Royce's bill would still require HUD to set the companies' annual affordable housing goals. However, the agency would no longer police the companies' charter activities. That power would go to the new agency under the Treasury.

Neither lawmakers' bills would strip the companies' valuable exemptions from state and local income taxes, nor would they incorporate a separate bipartisan bill in the House that strips their exemptions from securities disclosure laws.

The idea of overhauling OFHEO, however, is gaining momentum in Congress. Sen. Chuck Hagel, R-Neb., announced plans at a hearing last week to introduce a bill in the Senate that would expand OFHEO's funding and strengthen its regulatory powers.

Senate Banking Chairman Richard Shelby, R-Ala., who is normally quiet on GSE issues, is even questioning whether Fannie and Freddie need a new regulator.

"Is OFHEO up to the task - considering the amount of money the GSE's are involved in and how important they are to the secondary mortgage markets, the economy, the housing markets and everything that goes with it?" Shelby asked.

Reps. Edward Markey, D-Mass., and Christopher Shays, R-Conn., hope to attach their disclosure bill to whatever regulatory legislation makes it through the House. Their legislation, which has about 20 cosponsors, would force the companies to pay fees to register their securities. But it would cap that amount at no more than 5% of the SEC's registration fee revenue in any given year. That would have come to roughly \$16.2 million in 2002, based on the \$324 million in fees the SEC collected that year.

The companies voluntarily agreed last July to register their common stock with the SEC. Fannie completed that task in March, but Freddie's reaudit has pushed their registration back for at least another year, company officials said.

The companies' voluntary equity registration will trigger some of the SEC's disclosure requirements, such as disclosing insider transactions and audited financial statements. But the companies' voluntary agreements don't apply to their debt, nor do they require Fannie or Freddie to pay registration fees, as would be required under the Shays-Markey bill.

However, a May study by the Congressional Budget Office found that registering Fannie and Freddie's debt wouldn't result in huge administrative fees for the companies since virtually everything can be processed electronically. Nor would Fannie and Freddie's debt registration prevent consumers from locking in mortgage rates, as the companies argued in the past, the CBO said.

The administration is scheduled to stake out its position on the issue in September when Treasury Secretary John Snow has agreed to testify before the House Financial Services Committee on the matter.

Fincl Services Roundtable Backs Shifting OFHEO To US Tsy (WSJournal)

By John Connor

The Wall Street Journal, July 23, 2003

WASHINGTON -- The Financial Services Roundtable backed shifting the financial safety and soundness regulator of Fannie Mae (FNM) and Freddie Mac (FRE) into the U.S. Treasury Department.

In a letter to Treasury Secretary John Snow, Roundtable President and Chief Executive Steve Bartlett said, "We believe that the Treasury Department is the most appropriate cabinet agency in which to place OFHEO" - the Office of Federal Housing Enterprise Oversight.

OFHEO is an "independent agency" located within the Department of Housing and Urban Development. It is responsible for overseeing the financial safety and soundness regulation of Fannie Mae and Freddie Mac, both government-sponsored enterprises charged with assisting housing. The firms' mission regulation is handled by HUD proper.

"Treasury has general authority over the state of the economy and our nation's financial markets, and the operations of the enterprises have reached a level where their role and financial stability is of importance not only to financial markets but also to our economy as a whole," Bartlett said in a statement Tuesday.

The Financial Services Roundtable represents 100 of the integrated financial services companies providing banking, insurance, investment products and services to consumers.

The Senate Banking Committee is scheduled to hold a hearing Tuesday afternoon on President George W. Bush's nomination of Mark Brickell to be the director of OFHEO.

US-Securities Funds May Get Limits On What They Can Hold (WSJournal)

By JUDITH BURNS

The Wall Street Journal, July 23, 2003

WASHINGTON -- Mutual funds that describe themselves as investing in government securities would have to hold at least 80% of their assets in securities issued or backed by the U.S. government under a proposal Rep. Christopher Shays (R., Conn.) plans to offer this week.

Mortgage companies Fannie Mae and Freddie Mac would be hurt by the proposal, which Mr. Shays is expected to offer when the House Financial Services Committee considers a mutual-fund disclosure bill later this week. Adoption of the proposal is far from a sure thing because Fannie Mae and Freddie Mac have powerful friends on Capitol Hill.

The proposal follows a recent article in The Wall Street Journal pointing out that, unknown to many investors, Fannie Mae and Freddie Mac debt securities often constitute the majority of holdings in bond mutual-fund portfolios with "government" or "federal" in their names.

A U.S. Treasury official also issued a warning last year on including Fannie Mae and Freddie Mac debt in mutual funds that market themselves as investing in "federal government" or "U.S. securities."

Many mutual funds in the U.S. government category are loaded with securities that aren't backed by the U.S. government, then-Treasury Assistant Secretary Sheila Bair wrote in a letter June 4, 2002, to Securities and Exchange Commission officials.

Ms. Bair cited one "U.S. Government" money fund that has 90% of its portfolio invested in government-sponsored enterprises as evidence of the problem.

"Investors may find this naming convention confusing and in some case, the disclosures provided by the fund may not clearly describe the risk associated with the security," Ms. Bair wrote.

Mutual-fund investors may not understand that although Fannie Mae and Freddie Mac are government-sponsored enterprises, their debt isn't guaranteed by the U.S. government, Ms. Bair said.

"These may well be suitable investments for some retail investors," Ms. Bair added. But she said Treasury officials think mutual-fund marketing should distinguish between securities issued by the government and those issued by a government-sponsored enterprise.

As drafted, the Shays amendment would require the SEC to adopt rules within nine months that prohibit mutual funds from using words such as "federal" and "government" in their name unless at least 80% of their portfolio is held in securities issued or directly backed by the U.S. government.

Janice Daue, a spokeswoman for Fannie Mae, said "this is really an issue for mutual funds, the SEC and Congress." She added: "As an SEC registrant, Fannie Mae is in favor of transparency and disclosure, which is why, as required by law, our prospectus clearly states on the cover that our securities are not guaranteed by the government."

Officials at Freddie Mac didn't have any comment.

Federal Housing Nominee Criticized (WPost)

By Kathleen Day and David Hilzenrath

The Washington Post, July 23, 2003

The Senate Banking Committee's top Democrat yesterday criticized the White House nominee to be top overseer of home mortgage financiers Fannie Mae and Freddie Mac, saying his years lobbying against government regulation of the financial services industry may make him unfit for the post.

Sen. Paul S. Sarbanes (D-Md.) said Mark C. Brickell "led lobbying efforts to prevent regulation of derivatives, the arcane financial instruments that are critical to the risk-management operations" of both companies, which buy home loans from banks and other lenders and package them into securities. He noted that "questionable accounting for derivatives is at the heart of the recent troubles at Freddie Mac."

The hearing took place as an independent lawyer for Freddie Mac's board was preparing to release, as soon as today, a final draft of his report on what led to the improper accounting practices that will require a correction of reported earnings for the past three years.

A source familiar with the report from lawyer James R. Doty said it will focus largely on the actions of ousted executives of the McLean-based company, particularly former president David Glenn, but not on the board of directors. However, sources familiar with the investigation said another report by the regulatory agency Brickell has been nominated to lead -- due out in several weeks and based on the same evidence -- could reach a different conclusion.

Brickell told the committee that his past positions on issues would not prevent him from upholding the law, being an effective regulator and ensuring "that Fannie Mae and Freddie Mac operate safely and soundly."

"If I am confirmed I will vigorously enforce the rules and regulations of OFHEO to the full extent of the authority which Congress entrusts in the director of OFHEO," he said, referring to the Office of Federal Housing Enterprise Oversight.

Sarbanes fell short of saying he would oppose Brickell to head the office, which has been criticized for lax oversight of the two housing finance firms. Critics say regulation of Freddie and Fannie should be moved to the Treasury Department from the Department of Housing and Urban Development.

"There is certainly an aura about all of this of the fox guarding the henhouse," Sarbanes said after the hearing.

Freddie Mac and Fannie Mae were created by Congress and they retain ties to the government that save them millions of dollars a year in taxes and borrowing costs. They are publicly traded and are two of the largest financial institutions in the world.

In a related hearing across the Capitol, a House subcommittee heard criticism of the two companies' use of derivatives.

Peter J. Wallison of the American Enterprise Institute, a former banking lawyer and Treasury Department official during the Reagan administration, said accounting rules can be applied in so many different ways that better financial disclosures or regulatory oversight will not protect the public against potential problems at Fannie and Freddie.

If problems develop and go unnoticed at the two companies, they could do more damage to the economy than the savings and loan crisis that cost taxpayers tens of billions of dollars, he said.

Wallison said the companies provide little benefit to home buyers compared with the financial risks they pose to the economy. Much of the financial advantage the companies derive from their relationship with the government goes to their investors and management, he said. To reduce the risk, they should be privatized or prohibited from investing in their own mortgage-backed securities, he told the House Energy and Commerce subcommittee on commerce, trade and consumer protection.

Freddie Mac Chief Financial Officer Martin F. Baumann disagreed, saying the government's charter of Freddie and Fannie was "one of the truly enormous success stories" and had helped home ownership in an otherwise dour economy.

Rep. Edward J. Markey (D-Mass.) said that as he interpreted a recent Freddie Mac news release, the company knowingly used reserves "to manipulate or manage earnings," and he asked how the company could conclude that its actions did not require disclosure.

"I can't explain that, but that's what the company appears to have done in the past according to board counsel," said Baumann, who joined Freddie Mac in April. "With respect to the accounting errors, Freddie Mac didn't have the right accounting expertise in place to get the accounting right with certain accounting standards."

Unlike other companies that have been forced to correct their books, Freddie Mac understated its past earnings. The corrections could reduce future earnings.

Markey noted that Freddie Mac has estimated the size of its accounting errors to be \$1.5 billion to \$4.5 billion. "It's almost a scary level of uncertainty," Markey said.

"I agree, it's a very large number," Baumann said.

WorldCom Director Assails Firm's Critics (WPost)

Destruction Sought, Katzenbach Says

By Christopher Stern

The Washington Post, July 23, 2003

WorldCom Inc. board member Nicholas deB. Katzenbach told a Senate panel yesterday that ongoing criticism of the company is an attempt by competitors to use the political process to drive the scandal-plagued company out of business.

Katzenbach, a former U.S. attorney general who was named to WorldCom's board after the telecommunications company revealed its accounting scandal, also said the company has distanced itself from senior executives under whom the scandal occurred.

The Senate Judiciary Committee held the hearing to look into claims by competitors that WorldCom is using the bankruptcy process to strengthen its balance sheet while evading accountability for its improper bookkeeping.

Verizon Communications Inc. General Counsel William P. Barr, who also testified at yesterday's hearing, said the federal government has done little to punish WorldCom for its fraud. Barr said a Security and Exchange Commission's settlement with WorldCom that requires the company to pay \$750 million in cash and stock is inadequate given the scope of the wrongdoing at the company.

Barr was critical of the SEC for reaching a settlement before the company issued audited financial statements. In addition, Richard L. Thornburgh, who was appointed as a corporate examiner by the bankruptcy court, is in the midst of preparing his third and final report on the company. WorldCom plans to operate under the name of its long-distance subsidiary MCI after it follows through on its reorganization plan.

"In my view, the SEC stumbled all over itself to meet the MCI timeline," Barr said yesterday.

If U.S. Bankruptcy Court Judge Arthur J. Gonzalez approves the SEC settlement within the next month, it will put WorldCom on track to exit bankruptcy as early as October.

Barr called on the government to force WorldCom to give up all of its gains from the fraud. Although Barr denied claims that Verizon was trying to force WorldCom out of business, such a payment -- Barr estimated the gains in excess of \$18 billion -- would almost certainly force WorldCom to liquidate, Katzenbach said.

"I do think they see this as a way to inflict more pain on the company and if they can, force its demise," Katzenbach said.

During a three-year period beginning in 1999, WorldCom improperly booked about \$11 billion, according to company estimates. Much of the improper accounting stems from a scheme to claim regular expenses as capital investments. The arrangement allowed WorldCom to appear profitable during a period when it was losing money.

3 Rent-Way Executives Plead Guilty (WPost)

SEC Says Firm Inflated Profit Estimates to Analysts to Prop Up Stock Price

By Charles Duhigg

The Washington Post, July 23, 2003

In 1998, Rent-Way Inc. could no longer sustain the unrealistic earnings estimates that Jeffrey A. Conway, its chief financial officer, was giving to Wall Street analysts. The Erie, Pa., company had recently doubled its size to 1,100 stores and become one of the largest "rent-to-own" retailers in the nation. The company's stock price had increased more than 200 percent since it went public in 1993.

So Conway instructed the company's controller, Matthew J. Marini, to "do whatever needed to be done to meet the Company's earnings targets, but not to disclose" to him what steps were taken so that Conway could maintain "plausible deniability," according to a Securities and Exchange Commission complaint.

Marini then conducted "greaseboard sessions" in which the accounting staff was asked to make false entries. In 1999, Conway and Marini were promoted, and the company's stock continued a climb that would eventually peak at more \$30 a share.

But in 2000, after employees approached company officials and an internal investigation revealed the deception, the company's chief executive, William E. Morgenstern, approached the SEC.

A reckoning came yesterday when Conway, Marini and former senior vice president Jeffrey K. Underwood pleaded guilty in federal court in Erie to charges stemming from the falsification of Rent-Way's accounting records. Sentencing was scheduled for Nov. 6.

The SEC also announced a settlement with the three former executives that permanently bars Conway and Marini from serving as officers or directors of public companies. Conway will pay \$359,417 in penalties. The former executives neither admitted nor denied wrongdoing.

"This case sends a message that those who try to insulate themselves cannot do so just by ordering others to do the dirty work," said Mark Schonfeld, an SEC associate regional director.

The SEC said Rent-Way improperly accounted for more than \$95 million in 1999 and 2000. The company was forced to reduce its reported earnings in 2001 by \$127 million for the previous three years.

Conway's lawyer released a statement in which Conway "regrets what occurred three years ago at Rent-Way." Marini, reached by phone at his home, refused to comment. Calls to Underwood's lawyer were not returned.

Company officials refused to comment directly on yesterday's pleas. They issued a press release saying they "are pleased that the investigation has been completed and believe the final results are consistent with our internal investigation."

After alerting the SEC to the accounting fraud, company executives cooperated with the government's investigation. The decision to cooperate "was a major factor in the decision not to charge the company with criminal fraud" or seek fines against the company, said Mary Beth Buchanan, the U.S. attorney in Pittsburgh.

The company's cooperation has done little to appease stockholders, who are still angry about what the fraud did to Rent-Way's share price, which fell 78 percent, to \$5 per share, the day after details of the investigation were announced. Three years later, it has not recovered.

A class-action lawsuit by shareholders against the company was filed in 2000. The suit has been "settled in principal" for \$25 million, said Rob Ferris, a company spokesman.

The irregularities that Marini oversaw have been corrected, company officials said. But the consequences of the improper accounting reverberated through the company's financial structure, increasing borrowing costs and distracting management from day-to-day operations, said Mike Gallo, an analyst who follows Rent-Way for C.L. King and Associates of New York.

Today, Rent-Way operates only 753 stores in 33 states, including Maryland and Virginia, specializing in furniture, appliances and electronics. The company's stock closed yesterday at \$4.65 a share. The company sold 295 stores to a competitor in February, and in May issued senior secured debt of \$205 million paying interest close to 12 percent, indicating that investors still demand high interest from the company even when national interest rates are at record lows.

Morgenstern has remained chief executive and chairman throughout the investigation but the company may not recover until he leaves, Gallo said. "When you're CEO and something like that happens, ultimately you're responsible whether you knew or not," he said.

Former Rent-Way Executives Plead Guilty (AP)

By Charles Sheehan

The Associated Press, July 22, 2003

PITTSBURGH (AP) - Three former executives of Rent-Way Inc., the nation's second largest rent-to-own company, pleaded guilty Tuesday to doctoring reports filed with the Securities and Exchange Commission, federal prosecutors said.

The Erie-based company underreported operating expenses by \$60 million in 2000 an effort to meet earnings expectations, according to an SEC complaint also filed Tuesday.

Rent-Way misstated income and earnings per share in quarterly reports in 1999 and 2000, and an annual report in 1999, U.S. Attorney Mary Beth Buchanan said. The three men were asked to resign when the company released its fourth-quarter earnings report eight months late in 2001.

Jeffrey Conway, 45, former president and chief financial officer, pleaded guilty to conspiracy to falsify Rent-Way's books and records and to "circumvent Rent-Way's internal controls."

Matthew Marini, 38, former controller and chief accounting officer, pleaded guilty to securities fraud. Jeffrey Underwood, 47, former senior vice president, pleaded guilty to falsifying books, records and accounts.

The SEC complaint also names the three men as defendants.

The company had not had time to review the SEC filing and could not comment, said spokesman Robert Ferris.

"Executives who lie on company financial statements to manipulate earnings, and circumvent the internal accounting controls of the companies they lead, will be prosecuted to the fullest extent of the law," Buchanan said.

None of the men, who entered their pleas in federal court Tuesday morning in Erie, could immediately be located for comment.

Conway could receive a maximum sentence of five years in prison and a fine of \$250,000, or both. Marini and Underwood could each receive a maximum sentence of 10 years in prison and a \$1 million fine, or both.

Former Rite Aid Lawyer to Stand Trial (AP)

By Mark Scolforo

The Associated Press, July 22, 2003

HARRISBURG, Pa. (AP) - Rite Aid Corp.'s former chief counsel has decided to stand trial on 35 criminal counts stemming from his alleged role in an accounting scandal at the nation's No. 3 drugstore chain.

After meeting with lawyers in the case Tuesday, U.S. District Judge Sylvia Rambo tentatively scheduled jury selection to begin Sept. 22 for Franklin C. Brown, but warned that a scheduling conflict could delay that date.

Brown, 75, the company's former chief counsel and board vice chairman, was indicted by a federal grand jury last June for allegedly conspiring with other executives to falsely inflate the company's value and then interfere with federal investigators. He has pleaded innocent.

Brown was scheduled for trial last month, but a series of guilty pleas by co-defendants delayed those proceedings, leading the judge to dismiss the 18 jurors who had been preselected.

Rambo gave Brown until July 14 to decide whether he wanted to change his plea or go to trial. Three days before that deadline, she announced she would conduct Tuesday's closed conference.

Five other former Rite Aid executive have pleaded guilty to federal charges in the Rite Aid scandal: former chairman and chief executive Martin L. Grass, former chief financial officer Franklyn M. Bergonzi, former chief executive Timothy J. Noonan, former vice president for pharmacy purchasing Eric S. Sorkin, and former vice president of store development Philip Markovitz.

Financial irregularities that took place while those men led Rite Aid in the late 1990s forced the Camp Hill, Pa.-based company to restate \$1.6 billion in net earnings in July 2000.

Rite Aid shares fell a penny Tuesday to close at \$4.50 each on the New York Stock Exchange.

Long-Term Capital Case Puts Tax Shelters On Trial (WPost)

By Ben White

The Washington Post, July 23, 2003

NEW YORK, July 22 -- Testimony concluded today in a closely watched trial that shows how difficult it is for the federal government to rein in corporate tax shelters.

Justice Department lawyers, in a case being heard in U.S. District Court in New Haven, Conn., are seeking \$75 million in taxes, penalties and interest from Long-Term Capital Management L.P., the huge investment fund that nearly went bust in 1998 and required a \$3.6 billion Wall Street bailout. The tax case centers on the previous year, however, when the fund carried out a series of coordinated, complex transactions that resulted in a total of \$106 million in tax deductions.

When the government goes up against corporate America in tax-shelter cases, it faces a bevy of high-priced lawyers, investment bankers and accountants who attempt to explain why the tax shelters they devised serve legitimate business purposes and are, therefore, not abusive to the tax laws. In the Long-Term Capital Management case, government tax lawyers Charles P. Hurley and Nicole Bielawski had to contend not only with the regular lineup of sharp minds, but also with two Nobel Prize-winning economists, Myron S. Scholes and Robert C. Merton, and the famous bond trader John W. Meriwether, all of whom were founding partners of the investment fund.

To help bolster its case, the government called to testify a Nobel Prize-winning economist of its own, Joseph E. Stiglitz, a professor at Columbia University who was chairman of the White House Council of Economic Advisers in the Clinton administration.

U.S. District Judge Janet Bond Arterton's ruling in the case, which may not come for several weeks, will be important to the government's crusade against what it considers to be abusive corporate and individual tax shelters.

It's unclear how much money the government loses to shelters. The Senate Finance Committee has estimated the loss at \$10 billion to \$14 billion a year. Many experts believe it is more than that.

Government officials could not say how much money was recovered by the government in tax-shelter settlements or courtroom victories in recent years. Several academic experts who follow tax-shelter cases say such figures have not been tabulated.

IRS spokesman Don Roberts referred to the number of cases in progress.

Roberts said that since the beginning of 2002, the IRS has completed 207 tax-shelter examinations. He said more than 3,850 are either in progress or scheduled. In the IRS's large and mid-size corporations division, 129 people are working on cases involving the "promoters" of tax shelters -- mostly investment bankers, lawyers and accountants. The IRS counsel's office has 72 more people working on tax shelters and 268 summonses have been issued to promoters to secure lists of tax-shelter investors.

On the New Haven courthouse steps one recent afternoon, Hurley declined to comment on where his case fits in the overall war on shelters. "I'm not sure how much coordination there is, given how much the leadership always changes," he joked. "All I know is they told me I better win this thing."

The bar for the government is high. It will not have "won," tax lawyers said, unless the government recovers both the tax and penalties.

There is little reason for individuals and business not to go to great lengths to wipe out taxes, lawyers said. The worst thing that generally happens is a settlement with the IRS for a portion of the contested tax, or a courtroom loss requiring full repayment but no penalties. Taxpayers can usually avoid penalties if they demonstrate that they relied on sound legal advice that a tax shelter was legitimate.

In the current case, the government has argued that because the Long-Term Capital partners were so sophisticated, they should have known that the deductions would be disallowed. The government has also argued that Long-Term Capital relied on opinions from two law firms that would benefit from the transactions and, therefore, had clear conflicts of interest. The question of whether the partners of Long-Term Capital should have known better created one of the more colorful moments in a mostly dry legal proceeding. At the outset of his cross-examination, Hurley, the lead Justice Department lawyer, sought to portray Scholes as a tax expert.

"Am I correct that yesterday you described yourself as a lay person in regard to taxes?" Hurley asked.

"No, if I remember correctly, I said I was not an expert in regard to taxes," Scholes replied.

Hurley then picked up a fat book.

"Okay," he said. "You did, in fact, write this book, though, 'Taxes and Corporate Strategy'? . . . And am I correct that you used this book as a textbook for courses that you taught at Stanford?"

"That is correct."

Scholes repeatedly said he relied on the advice of two law firms to determine whether the tax deductions would be approved by the IRS.

The transactions, designed by San Francisco investment banking firm Babcock & Brown, worked roughly this way:

Three British investors, not subject to U.S. taxes, inserted themselves into a series of leasing transactions with, among other companies, General Electric Capital Computer Leasing. The transactions, commonly known as "lease stripping," produced

about \$375 million in tax deductions. The British investors could not use the deductions themselves, so they transferred them to several American investors in return for preferred shares of stock, which supposedly were worth \$375 million.

The British investors contributed the preferred shares to Long-Term Capital in exchange for a stake in the fund. Long-Term Capital later sold the shares and claimed a loss of \$371 million.

On its 1997 tax return, Long-Term Capital applied \$106 million of that loss to offset capital gains. The IRS disallowed the loss, saying the value of the preferred stock sold by Long Term Capital was artificially inflated.

Long-Term Capital sued in 2001, putting the \$40 million in contested taxes on deposit. If it had simply refused to pay, the case would have been heard in federal tax court in Washington, which is considered friendly to the government and hostile to taxpayers.

During his cross-examination, Scholes repeatedly asserted that all parties to the series of transactions took risks and had real expectations of profit. The government, supported by Stiglitz and other experts, argued that the transactions were financial gymnastics with no true business purpose.

"You don't think getting \$100 million in tax deductions for something you paid \$1 million for is a tax shelter?" Hurley said to Scholes with a sneer last week.

Scholes, who generally responded to simple yes-or-no questions with long, discursive answers, demurred.

"I prefer not to get into definitions like that," he said. "It was a mitigation of taxes."

States' Role In Doubt On Wall Street (WPost)

House to Vote Soon on Bill to Affirm Ultimate Power of SEC

By Brooke A. Masters

The Washington Post, July 23, 2003

State securities regulators are bracing for a showdown in the next couple of days with congressional Republicans and the securities industry over a bill that would limit the role of states in investigations of major Wall Street firms.

The House Financial Services Committee had been scheduled to vote today on the measure, but that may be delayed until at least tomorrow. Industry sources said national and state regulators were trying to work out a compromise, but it was unclear last night whether an agreement could be reached.

The provision, which was added by Rep. Richard H. Baker (R-La.) as an amendment to the bill less than 24 hours before a subcommittee vote this month, is similar to language pushed unsuccessfully by several major investment banks last year.

When New York state Attorney General Eliot L. Spitzer -- who embarrassed industry and national regulators with his investigation into tainted research at major investment houses -- and regulators from other states discovered Baker's move, they were outraged.

Federal law prohibits states from enacting laws to regulate the structure of and reporting requirements for securities brokers and dealers. Baker's provision would go one step further by barring states from using settlements or court judgments to force structural changes in the securities industry. The bill would also specifically prohibit states from forcing securities companies to disclose more information than required by federal rules. It also would bar states from setting conflict-of-interest rules.

The purpose of the provision "is to clarify that rulemaking for national markets is best done when states consult" with the Securities and Exchange Commission, said Baker's spokesman, Michael DiResto.

"What the bill actually does is strengthen the SEC and make it clear that the SEC is the primary regulator. The commission is the only regulator with a bird's-eye view," said Peggy Peterson, spokeswoman for Financial Services Committee Chairman Michael G. Oxley (R-Ohio).

Some academics say the bill would go further. "It would stand in the way of states reacting to a new abuse by saying, 'We want you to disclose these facts,'" said Columbia University law professor John C. Coffee. In his investigation, Spitzer insisted that Wall Street firms disclose private e-mail in which analysts criticized companies whose stocks they were publicly recommending.

Coffee said banks might even be able to use the provision to fight state subpoenas for information. "They can go to court and ask a judge to quash [a state regulator's] subpoena and say he has no jurisdiction because he's seeking a new disclosure," Coffee said.

The bill also could put new limits on state fraud investigations, academics and state regulators said, because it appears to require state fraud laws to be consistent with the federal definition of fraud. In some states, such as New York, fraud laws are broader than federal statutes.

States "are not going to be able to bring any fraud actions that are based on state prohibitions that are broader than the federal exchange act," said New York Law School professor Jeffrey J. Haas.

The bill could also limit the kinds of remedies states can seek. For example, it would prevent states from requiring additional inspections, according to the North American Securities Administrators Association.

"This is a dramatic and unjustified shift in jurisdiction," Spitzer said in an interview today. "The only way it could become law is in the stealth of night."

The major investment banks disclaim responsibility for the language this time. But their lobbyists say privately that the bill would help them fend off more investigations by Spitzer and other regulators from other states. Once Baker introduced his amendment, the Securities Industry Association, a trade group, jumped on board.

An industry official who asked not to be identified said the Baker bill would prevent state officials from harassing the industry: "If you bring a fraud case, you would have to prove fraud, not something fraud-like."

An SEC spokesman today declined to comment on the bill. Last week, Chairman William H. Donaldson said that while "the SEC is empowered, in fact encouraged, to work with state regulators . . . when it gets down to, this is the way we're going to structure [the industry], the SEC must be the final authority."

The showdown over the role of state regulators in fighting Wall Street corruption comes as federal officials are highlighting their efforts to root out corporate crime. In the past year, the Justice Department has charged 354 defendants and there are 320 investigations pending, Deputy Attorney General Larry Thompson said at a White House briefing yesterday. The SEC filed 443 enforcement actions between October 2002 and July 1, Donaldson said.

Wall Street And The States (WPost)

Editorial

The Washington Post, July 23, 2003

Anyone who's watched the scandals that engulfed Wall Street over the past few years understands the importance of the role played by state officials in going after corporate wrongdoing. While the Securities and Exchange Commission snoozed, New York state Attorney General Eliot L. Spitzer led the way in cracking down on firms whose stock analysts simultaneously evaluated companies for investors and milked them for investment banking business. The \$1.4 billion settlement obtained by state and federal regulators (who belatedly joined Mr. Spitzer's push) imposes important -- and overdue -- rules aimed at preventing such conflicts. That's why we're concerned that a measure due to come today before the House Financial Services Committee would severely restrict the states' power to undertake such corrective action.

The measure, promoted by Rep. Richard H. Baker (R-La.), would not block state officials such as Mr. Spitzer from prosecuting firms that engage in fraudulent conduct. But it would remove an important arrow from the state quiver, barring state officials from imposing disclosure, conflict-of-interest or reporting requirements different from those established by the Securities and Exchange Commission or self-regulatory organizations such as stock exchanges. "It would have made it impossible to accomplish what we accomplished on Wall Street in the last two years," Mr. Spitzer says.

SEC Chairman William H. Donaldson, who supports the Baker measure, argues that while states have a legitimate role, they go too far "if the solution is beyond a financial fine . . . and it gets into the structure of the markets." For his part, Mr. Baker says he is seeking to shield firms from having to comply with myriad regulatory regimes and to make sure that a single state regulator doesn't set national policy. But there's ample room for more than one cop on this beat -- the recent problems in the securities markets have involved the absence of adequate enforcement, not the burden of too much regulation. And whatever the right balance may be between the SEC and the states, diminishing state officials' power in favor of such self-interested parties as stock exchanges is the wrong way to go, at the wrong time.

NYSE Seeks End To Trader Case; Firms Dismiss Idea Of Settlement (WSJournal)

By KATE KELLY, SUSANNE CRAIG and JOHN HECHINGER

The Wall Street Journal, July 23, 2003

Regulators at the New York Stock Exchange are seeking settlements of the probe into the practices of some of its floor-trading firms -- but some of the firms are balking at the approach, insisting they did nothing wrong.

In recent weeks, David Doherty, head of NYSE's enforcement division, has met with representatives for some of the NYSE's biggest "specialist" firms, which are in charge of trading of specific stocks, in an attempt to hammer out an agreement that would end the exchange's inquiry into institutional wrongdoing.

The inquiry raises questions about the Big Board's basic 200-year-old structure, which uses human traders as go-betweens for investors, even as other markets, like the Nasdaq Stock Market, have adopted completely electronic systems.

But of the five firms known to be involved in the inquiry -- LaBranche & Co.; Goldman Sachs Group Inc.'s Spear, Leeds & Kellogg specialist unit; Bear Wagner Specialists LLC, which is minority-owned by Bear Stearns Cos.; FleetBoston Financial Corp.'s Fleet Specialist unit; and Van Der Moolen Holdings NV's Van Der Moolen Specialists unit -- at least two are dismissing

the idea of a settlement, raising the prospect of a high-stakes standoff between the Big Board and some of the biggest trading firms on its floor, people familiar with the matter say.

Officials at LaBranche, Goldman, Fleet and Bear Stearns had no comment on the talks. Officials at Van Der Moolen couldn't be reached.

People familiar with the discussions say officials at some of the firms maintain the trading practices of their floor specialists have been above board. Echoing a widespread sentiment among the specialists being investigated, one person familiar with the specialist firms' view of the probe says the settlement talks have been preliminary in part because the inquiry hasn't turned up severe or frequent violations. Some specialists are even referring jokingly to the NYSE's overtures as the "global settlement" offer, in a reference to the landmark regulatory settlement between Wall Street brokerage firms with regulators over investment banking and research conflicts of interest earlier this year.

An NYSE spokesman also declined to comment on any settlement talks, as did a spokesman for the Securities and Exchange Commission, which has been monitoring the NYSE probe. However, people familiar with the inquiry say some trading firms targeted in the probe have indicated they would consider a settlement, though precise terms still are under negotiation. NYSE officials declined to identify the firms in favor of a possible deal.

Even if some firms agree to a settlement deal, the NYSE is holding out the prospect of pursuing cases against individuals who may have been involved in the trading in question. The Big Board also has told some firms that they need to explore ways to compensate investors who may have lost money as a result of any improper trading.

Since it was disclosed in mid-April, the NYSE's probe into specialists' trading practices has raised questions about how effective the Big Board's market is for investors. Specialists are individual traders who oversee most of the buying and selling activity in specific stocks on the floor of the Big Board.

The NYSE has said that the current probe is focused on whether specialists on the floor have at times violated their "negative obligation," or the requirement to hang back and not trade for the specialist firm's own account when enough public buyers and sellers exist already.

Attorneys familiar with the floor's workings say despite the NYSE's detailed log of keystrokes made in specialists' trading systems, the ins and outs of a live auction can sometimes be hard to document.

"There's a lot of validity to the argument that it is oftentimes difficult to piece together what actually happened on the floor," said Alan Cohen, an attorney at the law firm O'Melveny & Myers who has represented clients in NYSE investigations. "That said, there are many pieces of paper, and electronic entries, that are supposed to provide the audit trail for what happened on the floor. The real question is, how good are those pieces of paper at doing just that?"

Word of the NYSE's probe first became public the week of April 14, when the specialist in General Electric Co., David Finnerty, was suspended as the result of an internal investigation at his firm, Fleet Specialist. Fleet's internal probe, which was sparked by concerns raised by the NYSE, raised questions about whether Mr. Finnerty had engaged in allegedly improper trades that created a \$3,000 to \$4,000 profit for Fleet's own account, according to people familiar with the matter, who said at the time the investigation may end up involving additional questionable trading profits. Mr. Finnerty has said he can't comment on the probe.

The NYSE's internal inquiry began about a year ago, when a significant bump up in a foreign issuer's stock over a relatively short period of time raised concerns about whether the specialist in question had handled the stock's trading appropriately, according to people who have been briefed on the NYSE probe.

Although the Big Board has said a review of the activity in question didn't turn up anything inappropriate, the process did spur a market analyst to wonder whether specialists might be violating their negative obligation on a more widespread basis -- prompting the broader probe.

To date, at least five of the NYSE's seven specialist firms have been included in the investigation, and those five are by far the largest in terms of headcount and volume of shares traded.

The probe has also included reviews of the trading activity in some of the NYSE's highest-profile stocks and the specialists and clerks, or trading assistants, who handle them.

In addition to Fleet's GE, companies whose share trading has been part of the probe, according to people familiar with the probe, include the Bear Wagner stocks Citigroup Inc. and Merrill Lynch & Co; LaBranche stocks Altria Group Inc. and Exxon Mobil Corp.; and Spear stock Verizon Communications Inc.

SEC Reviews Exchange Regulation (FT)

By Vincent Boland and Adrian Michaels in New York
The Financial Times, July 23, 2003

The Securities and Exchange Commission is considering changing the way US stock exchanges are regulated as part of a review of the structure of US securities markets.

William Donaldson, SEC chairman, said self-regulatory marketplaces such as the New York Stock Exchange were going through "a time of test" as they grappled with inquiries into alleged misconduct on their trading floors.

The chief US financial regulator told the Financial Times that a debate was going on about self-regulatory organisations (SROs) and external supervision. The NYSE and other US securities exchanges guard their SRO status fiercely, and would strongly resist any move to hand regulation to the SEC.

Mr Donaldson said the SRO concept, introduced when the SEC was created in the 1930s, was "very sound" but may not be suitable in modern marketplaces.

His comments came as an investigation continued at the NYSE into possible misconduct by specialists on its trading floor related to undue intervention between buyers and sellers of stocks.

Critics are increasingly voicing concerns about transparency in the market. At least five of the specialist firms that control order flow on the NYSE are being investigated in an internal procedure.

Mr Donaldson said the SEC was also involved in the probe, but he declined to comment directly on it. The SEC is also investigating the American Stock Exchange for possible abuse of the way it handles customers' options transactions.

He also reiterated his view that decimalisation - which allowed for the trading of NYSE-listed stocks in cents - should be reviewed to assess its impact. Its introduction coincided with the peak of the bull market and the subsequent drop in share prices and trading volumes.

Mr Donaldson is credited with restoring credibility and integrity to the SEC after the turbulent reign of Harvey Pitt, his predecessor. However, critics leapt on his comments suggesting decimalisation had flaws, claiming Mr Donaldson was more concerned with broker profits than investors.

Funds May Have To Tell More (WSJournal)

By TOM LAURICELLA

The Wall Street Journal, July 23, 2003

For nearly a quarter century, mutual-fund investors rarely have been able to see a figure in black and white showing how much they were paying in commissions when they purchase fund shares.

That may be changing, along with a host of other industry disclosure and record-keeping practices in the wake of recommendations issued by a Wall Street task force Tuesday. The panel -- composed of investment-industry officials and regulators other than the Securities and Exchange Commission -- was investigating why investors often fail to receive commission discounts that they deserve when purchasing certain types of fund shares.

Among the major recommendations in the panel's 26-page report is that the SEC should "revisit" a decision it made in 1979 that allows brokerage firms to omit commission information from confirmation statements provided investors after they invest in mutual funds charging commissions, or "loads." Such commission information routinely is required for most other types of investments. Without that information, critics note, it's difficult for investors to determine if the proper sales charge was applied.

"It's good news and a total about-face" for the SEC from its longstanding policy, says Mercer Bullard, a law professor at the University of Mississippi at Oxford, who has urged greater disclosure of fund fees. "Right now the only way for an investor to determine what they paid in a sales charge is to look at the confirmation statement, compare that to the check that you wrote and then do some mental gymnastics."

The new report follows a study released in March by securities regulators, including the SEC, that found many brokerage firms inadvertently failed to provide so-called breakpoint discounts to investors. Breakpoints are levels of investments at which the upfront commissions on mutual-fund shares can be reduced, sometimes dramatically.

While a number of the steps recommended by the task force Tuesday are voluntary, Mary Schapiro, vice chairman of the National Association of Securities Dealers and head of the task force, claimed there would be teeth behind the recommendations. "We believe the fund industry and brokerage community are committed to making these changes, but we have to be ready and willing to write rules to require them."

In a statement, SEC Chairman William H. Donaldson said: "I anticipate that the commission will consider additional regulation" in the areas addressed by the report "in the near future".

Many investors are unaware of breakpoints and how they work, but they can mean big savings in commissions. For example, an investor who puts \$10,000 into a front-load fund of some fund companies will pay the maximum 5.75% sales charge. But an investor or a family member putting a total of \$25,000 with the same fund company may be required to pay only a 5% load, while a \$100,000 investment may cost 3.5%.

TAKING STOCK: Investors added \$19.5 billion in new money to stock mutual funds in June -- more than any month since March 2002, according to an estimate by Lipper Inc.

While the additional money going into stock funds reflects the market's strong performance recently, Lipper, the fund tracking unit of Reuters PLC, said investors tended to avoid more aggressive investment styles. More than half the money, or \$9.9 billion, went into diversified U.S. stock funds.

Meanwhile, money flowing into bond mutual funds was down 25% from May at \$6.5 billion. It was the lowest figure since \$6.4 billion in October 2002. Investors also added to money market funds for the first time since November 2002.

ImClone Founder Due at Federal Prison (AP)

By Erin McClam

The Associated Press, July 22, 2003

NEW YORK (AP) - Sam Waksal, the ImClone Systems Inc. founder whose jet-setting lifestyle crumbled in an insider-trading scandal, is expected to report Wednesday to a federal prison where his work could include waxing floors and cutting grass.

Waksal is required to turn himself in at Schuylkill Federal Correctional Institution in Minersville, Pa., to begin serving a prison sentence of more than seven years.

The scientist admitted last year to tipping his daughter to dump ImClone stock in December 2001 because he had received word the government was about to issue a negative report on the ImClone cancer drug Erbitux.

The scandal has since ensnared his friend Martha Stewart, who was indicted last month. The government says she sold her own ImClone shares when she heard the Waksals were selling - then lied about it to investigators.

Waksal, 55, will be one of about 300 federal inmates at Schuylkill, a minimum-security prison about 75 miles northwest of Philadelphia.

There he will be assigned menial work, such as scrubbing and waxing floors, cutting grass and cleaning inmates' quarters, said Dan Dunne, a spokesman for the U.S. Bureau of Prisons.

He will likely start by earning about 16 cents per hour, with the chance to work his way up to 40 cents, Dunne said. Inmates work 7 1/2 hours each day, five days a week.

Prisoners at Schuylkill can attend evening education programs, but must return by 8:30 p.m. to their quarters - inside open, dormitory-style houses with rows of bunk beds and small lockers for the inmates.

"It's basically like a military barracks," Dunne said.

Waksal originally asked to be sent to a prison at Eglin Air Force Base, Fla. - a white-collar facility Forbes magazine once called the best place to be incarcerated in America.

Dunne would not discuss why prison officials sent Waksal to Pennsylvania instead. He said prison assignments are made based on a variety of factors, including escape risk, medical considerations and the residence of the criminal.

He was sentenced June 11 to seven years and three months in prison and ordered to pay more than \$3 million. Waksal had pleaded guilty to eight federal charges.

At the time, U.S. District Judge William H. Pauley told him: "The harm that you wrought is truly incalculable." Waksal had pleaded to the judge for leniency, admitting he "tore my family apart."

Waksal's attorney, Mark Pomerantz, did not return a call Tuesday seeking comment.

Stewart was indicted June 4 on charges of conspiracy, obstruction of justice, securities fraud making and false statements to federal officials.

She has pleaded innocent on all counts and mounted a public defense, including a Web site that is updated daily with new support letters from the fans she built as a cultural maven of domestic style and graceful living.

Stewart's ex-stockbroker, Peter Bacanovic, was also indicted and has pleaded innocent.

CRIMINAL LAW:

A Clash of Cultures (NLJ)

Puerto Rico fights death penalty in dispute with United States, Pennsylvania

By Leonard Post

The National Law Journal, July 23, 2003

A clash of cultures and governments over the death penalty has erupted in Puerto Rico, pitting the commonwealth against the United States and the state of Pennsylvania.

A capital trial has begun in a federal court in Puerto Rico, and, next month, a public defender is set to fight the extradition from Puerto Rico of a man facing a murder charge in Pennsylvania, because it might be charged as a capital crime.

Both situations stir the passions of Puerto Rican nationals, and a large segment of the island's legal community. The commonwealth outlawed the death penalty in 1929. Its Constitution, ratified by Congress in 1952, provides: "The death penalty shall not exist."

In the federal case, the Department of Justice ignored Puerto Rico's ban on the death penalty when it charged two reputed gang members with capital crimes and sought the death penalty. Later, that contention won the support of the 1st U.S. Circuit Court of Appeals.

Hector Oscar Acosta-Martinez and Joel Rivera-Alejandro, the reputed gang leaders, are accused of the 1998 kidnapping of a grocer, Jorge Hernandez Diaz, who was shot to death, then dismembered, allegedly because his family had called the police after receiving a ransom demand.

The federal jurisdiction for the local crime is based on a killing in retaliation for cooperating with the government and on an intentional crime of violence resulting in a death by a firearm.

Kevin McNally, a federal death penalty counsel, believes that in asserting federal jurisdiction, Attorney General John Ashcroft is "imposing his personal preference regarding capital punishment on areas ... that are less hospitable to the death penalty than, say, Texas, but without much success."

He noted that in the United States, 15 of the last 16 federal juries that have had the opportunity to consider it have voted for life sentences rather than the death penalty.

Policy questions telephoned to the DOJ public affairs office were answered in a generic e-mail from Barbara Comstock, director of public affairs, that didn't mention Puerto Rico.

"The death penalty is the law of the land, provided for as the ultimate punishment for heinous crimes," it said. "A process exists for seeking the death penalty and reviewing plea agreements in capital cases" that "is designed to ensure consistency and fairness in the application of the death penalty in all U.S. Attorney districts across the country."

JOINT UNDERSTANDING

Puerto Rican authorities had agreed in a memorandum of understanding with the local U.S. Attorney's Office that local violent crime often would be prosecuted by the federal government when federal jurisdiction existed, a federal judge noted. In the past, however, those charged with federal capital crimes had been allowed to plea to a sentence other than death, local lawyers said.

In 2000, the defendants in the grocer's death challenged the applicability of the death penalty in the commonwealth. *U.S. v. Acosta-Martinez*, 106 F. Supp. 2d 311 (U.S.D.C., Puerto Rico).

District Court Judge Salvador Casellas granted their motion, declaring that the Federal Death Penalty Act was inapplicable to Puerto Rico because it conflicted with § 9 of the Puerto Rican Federal Relations Act.

That section states that "the statutory laws of the United States, not locally inapplicable ... shall have the same force and effect in Puerto Rico as the United States."

Casellas pointed to particular internal revenue law and federal maritime law that has been held to be locally inapplicable as examples of the section's application. He acknowledged that some federal law that conflicted with Puerto Rico's does control, such as the Omnibus Crime Control and Safe Streets Act. It trumps Puerto Rico's prohibition against wiretapping. But, he declared, "Death is different ... unique in its irrevocability."

He was overruled by the 1st Circuit Court of Appeals, which rejected his contentions. *U.S. v. Acosta-Martinez*, 252 F.3d 13 U.S. Ct. of App., 1st dist. (2001). Citing its own precedent, it held that "Congress maintains similar powers over Puerto Rico as it possesses over the federal states," and that the island's constitution only governs its own courts "as state constitutions govern state courts."

While accepting the "strength of Puerto Rico's ... moral and cultural sentiment against the death penalty," it called the issue before it a strictly legal one of congressional intent. That intent, it held, was to include Puerto Rico under the Death Penalty Act.

The Supreme Court denied certiorari. It could still visit the issue on appeal if the defendants are sentenced to death.

ATTEMPTS TO EXTRADITE

The issues will be raised anew on Aug. 7, when Pennsylvania attempts to extradite Juan Martinez-Cruz for murder. In 2000, he allegedly shot a 32-year-old man multiple times in an argument over a woman in a bar.

Cathie Abookire, the Philadelphia DA's communications director, said Martinez's was "a potential capital case, but no decision had been made on whether to seek the death penalty."

Luis Russi, Martinez's San Juan-based Legal Aid lawyer, said he will fight the extradition under international legal principles, the first such challenge on the island, unless Martinez is guaranteed in writing that he will not be subject to the death penalty.

"If we have to, we'll take it to the Commission on Human Rights in Geneva or the international court in The Hague. We are a different nation than the United States -- the death penalty does not apply here."

Rosa Alexandrino, chief of the Extradition Division of Puerto Rico's Department of Justice, had no doubt that a court would issue a governor's warrant that allowed the extradition.

While the commonwealth's Justice Department opposed the federal capital trial, filing an amicus brief in the U.S. Supreme Court, it is not opposing the extradition.

"Extradition is a constitutional mandate -- there is no discretion," Alexandrino said.

She distinguishes the department's positions regarding the two cases as the difference between "importing the death penalty," having it on its sovereign soil, and "exporting it."

"There is a presumption that a defendant's due process rights will be preserved by the state requesting extradition," she said.

Both the hope that this was true and the reality that, sometimes, it was not, was apparent in her voice.

Arturo Luis Davila-Toro, president of the Puerto Rico Bar Association, insists that the extradition violates the compact between Puerto Rico and the United States.

"If Puerto Rico doesn't recognize capital punishment as a way of punishing felonies, this means that there can't be an extradition that approves and utilizes the death penalty to punish an alleged crime," Davila said.

He called it a serious constitutional confrontation between the United States and the commonwealth, which have "a sui generis political relationship."

Wilma Reveron, a founder of Ciudadanos Contra la Pena de Muerte (Citizens Against the Death Penalty) and an ex-vice president of the Puerto Rico Bar Association, wants Congress to step in.

Reveron noted that the Death Penalty Act excludes Native Americans for acts committed on Indian soil, unless a tribe elects to opt in. Her group wants the same treatment for Puerto Rico, and wants her government to take a more affirmative stance.

"They have been too shy in defending the Constitution," Reveron said.

She also wants the local Justice Department to abrogate its Memorandum of Understanding with U.S. prosecutors.

On the international front, the citizens' group has filed an initiative with the Commission on Human Rights.

Reveron said that matter had been referred to a confidential committee. On June 9, she made a presentation on the federal prosecution to the Decolonization Committee of the United Nations.

"It's not only a question of human rights, it's a question of self-determination," she said.

Last week, Anabelle Rodriguez, the Secretary of Justice of Puerto Rico, Alexandrino's boss, and the island's highest-ranking law enforcement official, said it would not be proper for her to comment on a pending prosecution, "a matter for the courts to determine," she said of the federal case.

But she had no reluctance to speak about the commonwealth's prohibition against the death penalty, which she "wholeheartedly" supports. "It is reflective of our collective consciousness."

Ashcroft Unfairly Forces States To Embrace The Death Penalty (Omaha World-Herald)

Column By Froma Harrop

The Omaha (NE) World-Herald/Creators Syndicate, July 22, 2003

PROVIDENCE, R.I. - Attorney General John Ashcroft is a religious conservative who sees no conflict between his Christian beliefs and his blood lust to want more people executed. That large numbers of Americans, though still a minority, find the death penalty morally repellent does not sway him. That many of these death-penalty opponents cede nothing to him on claims of religious devotion also makes little impression.

Because feelings on capital punishment vary greatly from region to region, Ashcroft's predecessor, Clinton appointee Janet Reno, had let local prosecutors decide when to seek the death penalty. The Bush Justice Department has broken with this practice and often overrules prosecutors who don't ask for the death penalty.

Puerto Rico now seethes over one such death-penalty case. Its 1952 Constitution specifically outlaws capital punishment. The people are overwhelmingly Catholic, and the Catholic Church staunchly opposes the death penalty. The crime at issue was a gruesome kidnapping-murder, but not something that would necessarily interest the federal government. To Puerto Rican eyes, the Justice Department is simply hot to execute two bad Latino men.

Much of the outrage, no doubt, stems from Puerto Rican sensitivity regarding the island's autonomy. As a U.S. territory, Puerto Rico inhabits something of a political limbo in its relationship with the mainland.

But a number of bona-fide states also feel trampled by a federal government intent on forcing a Southern-conservative culture on the entire nation. In New York State, for example, the Justice Department has overruled at least 10 prosecutors for failing to call for capital punishment in federal cases.

Having government break the taboo on the deliberate taking of a person's life is itself highly disturbing. But the possibility that the state might execute someone by mistake is unbearable.

Rhode Island abolished the death penalty in 1852, after it hanged an almost certainly innocent man. John Gordon, an Irish immigrant, had gone to the gallows for conspiracy to commit murder. It was a time of considerable anti-Irish bias, and the victim had been a prominent factory owner. Gordon was executed two months before the scheduled trial of his alleged co-conspirator, a brother. The brother was eventually acquitted of the charges.

Last week, Ohio freed Gary Lemar James, who had spent 26 years in jail for allegedly killing a security guard in a bank robbery. New evidence shows he didn't do it. In 1999, then-Gov. George Ryan of Illinois halted all executions in his state after learning that 13 men on death row had been exonerated of their crimes since 1977.

A recent story from Ashcroft's home state of Missouri should send chills down the spine of any merciful human being. A man was awaiting execution for supposedly killing a fellow inmate when his accusers took back their story. Prosecutors argued for executing him anyway - over the technicality that he had been late in submitting the new information. Fortunately, the state Supreme Court intervened, noting that a condemned man should always be allowed to prove his innocence.

The Justice Department claims it just wants to ensure that the death penalty is applied "in a consistent and fair manner across the country." As department spokeswoman Barbara Comstock put it, "What we are trying to avoid is one standard in Georgia and another in Vermont."

That's right. Everyone's standards must now be Georgia's - or what she thinks they are.

Actually, revulsion against the death penalty may be spreading to places usually deemed favorable to capital punishment. Juries have refused to impose the death penalty in 15 of the last 16 trials in which federal prosecutors sought it. The states involved included such conservative strongholds as Missouri, Mississippi, Louisiana, Texas, Virginia and Tennessee.

The rate of failure in obtaining jury decisions backing the death penalty is far higher than in years past. This could be a statistical fluke. Or it could reflect public horror following a spate of reports on wrongfully convicted death-row inmates.

Just when the national tide appears to be turning against the death penalty, the moral primitives at the Justice Department seem intent on accelerating its use. Perhaps Ashcroft and other righteous fans of capital punishment think their support of state-sanctioned killing will seem less ugly if everyone else is made over in their image. It won't.

Jury's Verdict In Death Reversed (WPost)

Judge Discounts Kidnapping Theory

By Jerry Markon

The Washington Post, July 23, 2003

A federal judge in Alexandria yesterday took the unusual step of overturning a jury's verdict and threw out the conviction of Jay E. Lentz, a former naval intelligence officer charged with kidnapping and killing his ex-wife.

U.S. District Judge Gerald Bruce Lee ruled that prosecutors failed to prove the key underpinning of their case: that Lentz lured Doris Faye Lentz to his Prince George's County home in April 1996 as part of a kidnapping plot that resulted in her death. Her body has not been found, which made the case difficult from the start, and prosecutors went forward with no body, no crime scene and no eyewitnesses.

In the end, those obstacles were too much to overcome, Lee said in setting aside the verdict.

"There is no evidence Jay Lentz held or detained Ms. Lentz as part of a kidnapping," Lee wrote. "This fatal flaw requires the Court . . . to dismiss the case."

On July 7, a federal jury convicted Lentz of a single count of kidnapping resulting in death. The jurors sentenced him to life in prison without the possibility of parole, sparing him the death penalty the government had sought.

Lee criticized the government for trying a local homicide case in federal court. Prosecutors had contended that they had jurisdiction because, they said, Lentz lured his ex-wife across state lines from her home in Arlington in his plot to kill her to avoid child support. A local prosecution would have been nearly impossible without Doris Lentz's body, experts said at the time, so the case was tried in federal court.

"The Court concludes that while there may be evidence of something here, it is not federal kidnapping," Lee wrote. "This Court is unwilling to contort the law of federal kidnapping to fit the facts of this case."

The judge postponed enforcing his decision until a hearing Tuesday on whether Lentz should be released on bond pending an appeal by prosecutors.

Legal specialists called the ruling extraordinary. Although defendants frequently file motions to have their convictions dismissed, judges rarely grant them. And experts said it is unprecedented for a judge to dismiss a jury verdict in a federal death penalty case.

Lee's actions underscored a national debate over the death penalty and whether the Justice Department has pushed too hard to expand it. "This illustrates how far we've plummeted in terms of the kinds of cases that are now being brought as death penalty cases," said Barry Boss, a Washington defense lawyer experienced in capital cases. "It used to be that they reserved seeking death for only those cases in which guilt was overwhelming and the crime was particularly heinous."

Paul J. McNulty, the U.S. attorney in Alexandria whose office brought the case in 2001, five years after Doris Lentz's disappearance, said the government would appeal Lee's ruling to the Richmond-based U.S. Court of Appeals for the 4th Circuit. "The judge's ruling overrides the jury's careful and lengthy deliberation and guilty verdict in this case," McNulty said in a statement. "We will do everything possible to hold Mr. Lentz accountable for his actions."

In a similar case in 2000, the 4th Circuit allowed a kidnapping charge to proceed against a man who lured a witness against him across state lines. A federal judge in Alexandria had dismissed that case, ruling that kidnapping law requires someone to accompany the victim. No body was found in that case, either.

Frank Salvato, an attorney for Lentz, said the defense team was "extremely pleased with the court's decision. It was a fair and reasoned decision."

The reaction was far different in Memphis, where Gene Butt, Doris Lentz's mother, said she was "stunned, just stunned. I really can't assimilate it yet. . . . Six weeks wasted."

Jury forewoman Karen Plante said she was "fully fine" with Lee's ruling. "We did what we thought we were supposed to do with the information we had," she said. "If it does actually work out that Jay gets to have a chance to go have a life with his daughter, then I'm all for that."

Lee said he had waited to rule on the defense motion to dismiss the charges, which was filed in mid-June, to preserve the government's right to appeal. If he had dismissed the case earlier, prosecutors would have been barred from appealing. Experts said it is unusual for a judge to let a case he thinks is flawed move forward to a verdict.

Doris Lentz, 31, vanished April 23, 1996, after telling a friend that she was on her way from her Arlington home to pick up her daughter Julia, who was then 4, at her ex-husband's home in Fort Washington. A week later, police in Southeast Washington found her blood-spattered Toyota. The door was unlocked, and her purse was in full view.

Five years later, in April 2001, Arlington police and the FBI arrested Jay Lentz in Indiana, where he had settled into a quiet life with his daughter and was working as a teacher.

Once in court, the evidence focused on Lentz's hatred for his ex-wife and their messy divorce. The couple divorced in 1995 and continued to battle over child support and other issues. A court hearing over a \$30,000 payment that Lentz owed had been scheduled for the day after Doris Lentz's disappearance.

The trial originally was scheduled for September, but prosecutors appealed a ruling from Lee in the middle of jury selection. Lee had ruled that many statements Doris Lentz made to friends expressing fear of her ex-husband could not be used at trial. Those included a statement that Doris Lentz attributed to Jay Lentz: "If O.J. [Simpson] can get away with it, so can I." This, the judge ruled, was hearsay and too prejudicial. The 4th Circuit upheld Lee's decision.

Yesterday, Lee noted the lack of physical evidence and questioned whether Doris Lentz ever made it to Jay Lentz's home that day. Most important, Lee said, there was no evidence that Lentz held his ex-wife against her will, a necessary element of the law.

Probe Sought Of Westar Donations (Wichita Eagle)

By Dion Lefler

The Wichita (KS) Eagle, July 22, 2003

A political watchdog group has asked the Justice Department to investigate whether Westar Energy executives and three congressmen -- including the House majority leader -- violated federal bribery laws.

Public Citizen, the group founded by consumer advocate Ralph Nader, says House Majority Leader Tom DeLay and Reps. Joe Barton and Billy Tauzin may have violated bribery laws by pushing special-interest legislation for Westar after soliciting contributions from the company for their political allies.

The group's complaint also named 13 current and former Westar officials who it said should also be investigated.

Blain Rethmeier, a spokesman for the Justice Department in Washington, said department policy forbids confirming or denying whether an official investigation is under way.

"Certainly we will review Public Citizen's allegations and make a determination if a case should be brought," he said.

DeLay and Barton are from Texas, and Tauzin is from Louisiana. All are Republicans. Spokespeople for all three did not return phone calls seeking comment.

Westar spokeswoman Karla Olsen said the company has turned over all the political investigation matters to a lawyer, Tim Jenkins. Jenkins did not return a phone call seeking comment.

Tyson Slocum, energy research director for Public Citizen, said the group became interested in the case after Westar released a lengthy investigative report on itself in May.

The report revealed a variety of financial and ethical issues during David Wittig's tenure as the company's chief executive, which ended with his resignation in late 2002.

The report contained May 2002 memos between executives outlining a strategy to make tens of thousands of dollars in political contributions in exchange for "a seat at the table" on federal energy regulation.

At the time, Westar was pushing for an exemption to the federal Public Utilities Holding Company Act, which tightly regulates companies that own significant utility properties.

One memo by then-Westar vice president Doug Lawrence noted that DeLay is the House majority leader and said, "His agreement is necessary before the House conferees can push the language we have in place in the House bill."

The memo also identified Tauzin and Barton as key House conferees on Westar's proposal and said they had asked Westar to give money to Rep. John Shimkus, R-Ill., "in lieu of contributions made to their own campaigns."

Slocum said Public Citizen has identified \$63,200 in Westar-related contributions to the representatives, their associates and political action committees.

The group's research showed that after Westar made the contributions, Barton inserted the language the company wanted into the conferee's version of the 2002 House energy bill without taking a vote.

An effort to remove the Westar exemption was turned back when Barton voted -- for himself and as a proxy for DeLay, Tauzin and five other GOP representatives -- to keep it in.

"It's very unusual to insert language that was not in the original bill approved by the House," Slocum said.

Under congressional procedure, the conferees are supposed to work with their colleagues in the Senate to iron out differences in bills passed by the two houses.

The Westar exemption stayed in the energy bill from May until October. It was dropped after Westar revealed it was under investigation on other issues by the Justice Department and the Securities and Exchange Commission, Slocum said.

Although several other representatives were involved, Slocum said Public Citizen focused its complaint on DeLay, Tauzin and Barton because they all were in leadership positions and had taken action to approve the Westar exemption.

Westar has already disclosed that it is under investigation by several federal and state agencies on issues not related to its political activities.

Last week, a federal jury in Kansas City, Kan., convicted Wittig of six counts of federal bank fraud, conspiracy and money laundering in connection with a Scottsdale, Ariz., real estate deal.

Boeing Rocket Executive Is Focus Of US Military-Contract Probe (WSJournal)

By ANDY PASZTOR and ANNE MARIE SQUEO

The Wall Street Journal, July 23, 2003

Federal investigators, expanding their criminal investigation into document gathering by Boeing Co. employees, are focusing on a high-ranking executive in the company's rocket unit for allegedly helping snare a rival's proprietary documents during a major military-contract competition, people familiar with the case said.

Justice Department and Pentagon investigators are delving into the activities of Thomas Alexiou, currently program director of the military version of Boeing's Delta IV rocket and the immediate supervisor of two former Boeing employees charged in the case, these people said. Last week, the two men were indicted for conspiring to illegally gather and distribute within Boeing proprietary Lockheed Martin Corp. documents in a multibillion-dollar competition to build the government's next-generation rocket.

Meanwhile, a separate civil inquiry by the Air Force could end in the next few days, potentially causing Boeing's struggling space unit to lose nearly \$1 billion of government business, people familiar with the details said.

The government's focus on Mr. Alexiou is likely to add to Chicago-based Boeing's legal exposure and public-relations problems by undercutting the company's repeated statements that any wrongdoing in the unit was confined to a trio of lower-level employees who were fired or disciplined years ago. Mr. Alexiou's name came up during Boeing's internal investigation of the document issue in mid-1999. But he wasn't punished and has since been promoted twice.

Through a Boeing spokesman, Mr. Alexiou declined to comment. A Boeing spokeswoman declined to comment on personnel matters.

The criminal inquiry is heating up as senior Air Force officials push to quickly resolve their own investigation. Wednesday, the Air Force's top space official, Peter Teets, is to meet with Defense Secretary Donald Rumsfeld to discuss the results of the service's review and recommend penalties. Representatives for Mr. Rumsfeld and Mr. Teets declined to comment on the meeting. After being briefed earlier this month, Mr. Rumsfeld asked for additional information and stressed to Air Force officials that they should take a hard-line stance if Boeing was determined to have broken federal procurement laws, people familiar with that meeting have said.

Talks on the precise penalties are still fluid and subject to approval by Mr. Rumsfeld. But people familiar with those discussions say Boeing's rocket-launch operation could lose about \$900 million in business to launch government satellites. Specifically, Mr. Teets is expected to recommend that Boeing forfeit about six of the rocket launches it won in October 1998, when it beat Lockheed for the majority of government rocket orders. The Air Force also would automatically award Lockheed three out of four additional launches that were to be awarded this year, people familiar with the situation said. That would even out the launches between the two companies at 16 each. Still, Lockheed isn't expected to see a short-term financial boost from the additional launches since they wouldn't occur until later this decade.

In addition, Boeing's rocket unit is expected to be suspended or debarred from new contracts for possibly as long as a year, the longest any major defense contractor has been cut off from government work going back to at least the 1980s. However, temporarily cutting off the unit from new business would be largely symbolic because the Air Force already has allocated launches through the end of the decade.

A resolution could be announced as early as Thursday, though it won't end a private lawsuit filed by Lockheed, based in Bethesda, Md., or the continuing inquiry by a federal grand jury. Mr. Alexiou hasn't been formally notified by the U.S. Attorney's office in Los Angeles that he is the target of that investigation, but court documents previously filed by the government lay out his ties with Kenneth Branch and William Erskine, the two men who were recently indicted. Any connection between a current high-ranking Boeing employee and corporate-espionage allegations could have broad repercussions for a company striving to limit damage to its reputation.

According to a government investigator's sworn affidavit filed in federal court in Los Angeles, in the summer of 1996 Mr. Alexiou met with Messrs. Branch and Erskine during a session in which proprietary Lockheed documents were discussed and read. Mr. Alexiou subsequently hired Mr. Branch, who resigned from Lockheed's rocket operations and reported directly to him for 18 months. Mr. Erskine also reported to Mr. Alexiou for part of the same period.

In the past, an attorney for Mr. Erskine said his client isn't guilty of any crime and an attorney for Mr. Branch said his client is cooperating with investigators.

The government's filing also said that in late 1997, a Boeing software engineer named Kimberly Tran spotted Mr. Branch reading documents marked "Lockheed Martin proprietary" and reported the matter to her immediate supervisor. Mr. Alexiou later became "quite upset" that Ms. Tran didn't report the incident directly to him, according to the filing, and the next day Mr. Alexiou informed Ms. Tran's supervisor that "the matter had been looked into" and that Mr. Branch didn't have any proprietary Lockheed material.

Victims Protest Lack Of Prosecution Of Church Officials (AP)

The Associated Press, July 23, 2003

BOSTON (AP) - Alleged victims of child-molesting priests expressed outrage Tuesday over the Massachusetts attorney general's decision not to bring charges against any high-ranking officials of the Boston Archdiocese.

About two dozen protesters carried signs outside Attorney General Thomas Reilly's office, criticizing him for what they called his "deference" to the church.

"We are not asking - we demand - that Attorney General Reilly find ways to indict," said Paul Baier, president of Survivors First, a group for abuse victims.

Reilly's spokeswoman, Ann Donlan, said he had no comment on the protest.

Reilly is scheduled to release a report Wednesday detailing the results of a 16-month investigation, conducted in part by a grand jury, into the sexual abuse of children by dozens of priests. Reilly's office said earlier this week that the report does not call for criminal charges against anyone in the church hierarchy.

Reilly has said that weak child protection laws in effect when the abuse took place prevent him from prosecuting church supervisors.

The grand jury convened by Reilly investigated whether Cardinal Bernard Law and many of his top aides could be held criminally responsible for moving priests from parish to parish when they knew of the abuse allegations. Law resigned as archbishop in December.

A state law passed last year adds members of the clergy to a list of professionals required to inform state officials of suspected child abuse.

The archdiocese is facing about 500 lawsuits from alleged victims of sexually abusive priests. Church officials have repeatedly said they are committed to working toward a settlement.

Virginia Executes Man For '97 Death (WPost)

Young Mother Had Been Raped

By Maria Glod

The Washington Post, July 23, 2003

Bobby Wayne Swisher was executed by injection in Virginia's death chamber last night, six years after he kidnapped and raped a young mother before slashing her throat and tossing her, still alive, into the frigid waters of the South River.

Swisher, a 27-year-old high school dropout, was pronounced dead at 9:05 p.m. at the Greensville Correctional Center in Jarratt, as members of his victim's family looked on, according to Virginia Department of Corrections spokesman Larry Traylor.

"I hope you can all find the same peace in Jesus Christ as I have," Swisher said in his final statement, according to Traylor.

Swisher's execution had been scheduled for July 1, but Gov. Mark R. Warner (D) delayed it by three weeks to give defense attorneys time to argue before the Virginia Supreme Court that the jury used a verdict form that the court previously found to be defective in a separate case. As defense attorneys and legal experts predicted, the court said it had no authority to consider the claim because Swisher already had exhausted his appeals. Warner had said he would not intervene again if the court did not resolve the issue, and he declined to get involved yesterday.

Defense attorneys Anthony F. King and Steven D. Rosenfield said in a statement last night that Warner "abdicated his constitutional and moral responsibility to do the right thing" when he refused to halt the execution. "Instead, he made a craven and cowardly political calculation that killing Bobby Swisher would advance his political career."

Warner declined to comment on that allegation, according to his spokeswoman, Ellen Qualls.

The defense contends that the jurors who sentenced Swisher to death may not have known that they could have chosen a sentence of life in prison.

A spokesman for Virginia Attorney General Jerry W. Kilgore (R) said that the state's verdict form has been upheld by the U.S. Supreme Court and that Swisher's crimes were so vile that a death sentence was appropriate.

"The facts of this case are almost too horrible to comprehend," said Tim Murtaugh, Kilgore's spokesman.

According to court documents, Swisher was high on cocaine the evening of Feb. 5, 1997, when he walked into an Augusta County florist shop where 22-year-old Dawn McNees Snyder was working late to prepare for the Valentine's Day rush.

Swisher, then 20, forced Snyder to walk to a field near the South River where he raped her and cut her face and throat. He threw her into the river and later told a friend that he walked along the riverbank asking, "Are you dead yet?"

In a recent telephone interview from a Virginia prison, Swisher said that he had become a born-again Christian and that he had been spending his days reading the Bible. When asked whether he thought his life should be spared, he said: "Some days I do. Some days I don't."

Swisher refused to talk about the rape and murder. "I remember enough to know I don't want to remember no more," he said. "I've put up some walls."

Sandi McNees, Snyder's mother, who witnessed the execution, said Monday she thinks of her daughter's suffering each day. McNees said Snyder was a devoted mother who volunteered with the rescue squad and had recently opened the florist shop with a friend.

"She packed a lot of life into her short years," McNees said.

Swisher's execution was the second in Virginia this year.

In April, Earl Conrad Bramblett, who killed a family of four in southern Virginia in 1994, died in the electric chair.

Movie Firms To Run Ads Targeting Internet Pirates (WPost)

Film set painter David Goldstein is one of many movie industry employees featured in anti-piracy ads scheduled to start Thursday. (File Photo -- AP)

By Frank Ahrens

The Washington Post, July 23, 2003

HOLLYWOOD -- The movie industry announced a broad anti-piracy campaign today, with commercials set to appear on all six broadcast television networks, more than two dozen cable channels and in 5,000 movie theaters nationwide.

The ads are scheduled to launch at the same time on all participating channels during prime-time telecasts on Thursday. They also are slated to run between previews showing before Friday night's movies. Encompassing one 30-second and five 65-second spots, the campaign asks consumers not to digitally download unauthorized versions of movies they may find on the Internet.

The spots feature actor Ben Affleck and "Titanic" director James Cameron, but they focus on behind-the-scenes movie employees, such as set painters, security guards, costumers, editors and theater concessionaires who are most of the industry's 580,000 workers. The point of the campaign is to persuade those illegally downloading files that they are stealing paycheck money not just from multimillionaire stars but from regular working folks -- folks like them.

"The piracy issue, I don't believe it will affect the producers," set painter David Goldstein says in one spot. "I mean, it will affect them, but it's minuscule to the way it affects me -- the guy working on construction, the lighting guy, the sound guy. Because we are not million-dollar employees, at all. We're lucky if we can put together 12 straight months."

The campaign was organized by the Motion Picture Association of America, the lobby representing the seven major movie studios -- Universal Studios, Sony Pictures Entertainment, Warner Bros., Metro-Goldwyn-Mayer, Walt Disney Co., 20th Century Fox and Paramount Pictures -- and is the result of an unusual amount of cooperation among frequently warring, highly competitive studios.

"This is a campaign of education and persuasion," MPAA President Jack Valenti said. "You're hurting someone, maybe someone like your own family."

The movie industry estimates that it loses between \$3 billion and \$4 billion a year from pirated DVD discs manufactured mainly in Asia but sold throughout the world. The MPAA has a 100-person office in Hong Kong that prosecutes pirates -- it now has thousands of copyright violation cases in courts -- and spurs local law enforcement officials to raid pirate DVD factories.

Typically, pirates sneak digital videorecorders into previews of movies and upload the low-quality video onto the Internet, where it can be accessed as a digital file. Most of the major studios have collaborated on a pay-download Web site called Movielink, which launched last fall but has not been widely promoted.

No organization has placed a firm cost on potential harm from digital movie piracy, which is still in its infancy owing to the fact that it takes hours to download data-rich movies even over high-speed Internet connections.

But the industry is attempting to head off what will become easier and faster as computer and Internet technology advances. The industry is, in Valenti's words, trying to prevent Napster from happening to the movie industry, referring to the song-swapping software that enabled millions of computer users to download songs for free and that the music industry blames for its current sales slump.

The music industry, led by the Recording Industry Association of America, a lobbying group, is pursuing a vigorous copyright enforcement strategy of suing computer users illegally downloading or swapping music files. As of last week, the RIAA had obtained subpoenas for more than 800 computer users the industry considers song pirates.

The movie industry is attempting to appeal to the conscience of potential Internet pirates who regard their actions as just retribution against the entertainment conglomerates for the prices they charge.

Authorities Investigating Toe Found By Cadaver Dog (AP)

The Associated Press, July 22, 2003

TOLEDO, Ohio - A cadaver-sniffing dog's owner who has been charged with planting evidence at crime scenes is being investigated for a toe found in an Ohio case, a sheriff's deputy said.

Police called on Sandra Anderson, 43, and her dog Eagle to verify the fruitless searches of other dogs looking in Fulton County for a 22-year-old man who disappeared in April 2002. Eagle found the toe in the muck of a creek bed.

"It didn't make sense," sheriff's Lt. Bob Albright said. "I've been doing this for 30 years and I've seen a lot of accident victims. I've seen a lot of limbs that have come off."

Albright said the toe was neatly severed instead of appearing torn off. Two weeks later, the body was found - with both feet still in boots and all 10 toes intact.

The U.S. Justice Department filed charges against Anderson, of Midland, Mich., last month in a Detroit federal court, accusing her of planting human bones at crime scenes between October 2000 and April 2002.

Anderson denied the charges of witness tampering and lying to investigators, saying Tuesday that she did not know how the toe got into the creek bed. She has refused prosecutors' attempts to get her to agree to a plea deal on the charges in a bill of information, she said.

"I just haven't done anything. I'm just putting my faith in the system, which is really scary," she said. "I couldn't live with myself if I didn't speak out."

She said there are numerous explanations why stray body parts might turn up during searches.

"It's not just a dog handler that locates remains. Other individuals stumble across parts of our history," she said. "You could search a farmer's field and find a family plot."

FBI agents have been investigating her for about 1 1/2 years in connection with the Michigan and Ohio cases, she said. Agents have searched her apartment and seized paperwork related to the searches.

Anderson said she is not paid for the 200 searches she completes each year for police departments and historical preservation agencies across the country. They have searched for mass graves in Bosnia and Panama, and helped search for victims of the United Airlines jetliner that crashed in southwestern Pennsylvania after being hijacked as part of the Sept. 11, 2001, terrorist attacks.

Anderson and her dog have a reputation for being able to find evidence in difficult situations, Toledo police Sgt. Keefe Snyder said.

"We trusted her," said Snyder, the head of the department's crime scene unit. "Everybody did. I think everybody felt a little betrayed."

Michigan FBI agents and federal prosecutors in Washington did not return messages seeking comment Tuesday.

The maximum penalty for making false statements is five years in prison and a \$250,000 fine. Witness tampering carries a maximum penalty of 10 years in prison and a \$250,000 fine. Under federal sentencing guidelines, suspects usually face considerably less time.

CIVIL LAW:

Judge Won't Dismiss Suit Against FEC (AP)

The Associated Press, July 22, 2003

WASHINGTON - A judge rejected the Federal Election Commission's request that he dismiss a lawsuit filed over its failure to act on a complaint involving Attorney General John Ashcroft's 2000 Senate campaign.

U.S. District Judge Emmet Sullivan's ruling on Tuesday also ordered the FEC to respond to questions by the Alliance for Democracy campaign finance watchdog group by the end of next month, and said he wouldn't extend the deadline.

The ruling came in a March 2002 lawsuit by the alliance and two Missouri voters against the FEC over its failure to respond to a complaint they filed with the commission in March 2001 involving Ashcroft's Senate campaign.

The complaint alleges Ashcroft's campaign and a political action committee he established, the Spirit of America PAC, violated campaign finance laws in the 2000 election.

The allegations center on a mailing list of donors developed during Ashcroft's 1998 presidential exploration effort. The Spirit of America PAC built the list and Ashcroft's Republican Senate re-election committee then used it to raise more than \$116,000, the complaint alleges.

It says the PAC violated contribution limits by donating the list to Ashcroft's campaign, and that the PAC and Ashcroft's campaign broke the law by failing to disclose the contribution.

The Alliance for Democracy contends the commission, charged with enforcing federal campaign finance laws, has been taking too long to act on its complaint. It wants the court to order the commission to rule on its complaint, and seeks documents from the FEC's investigation.

The court ruled last fall that the FEC could release the documents if Ashcroft agreed. The National Voting Rights Institute, representing the three plaintiffs, said Tuesday that the commission had not released the records.

The Justice Department and the FEC declined to comment on the case.

Morning Business (Roll Call)

NVRI Routs FEC?

Roll Call, July 23, 2003

Attorneys with National Voting Rights Institute - who filed suit last year against the Federal Election Commission for failing to resolve a complaint concerning alleged violations by former Sen. John Ashcroft's (R-Mo.) failed 2000 re-election campaign - declared a minor victory this week in the ongoing court battle.

On Tuesday, U.S. District Judge Emmet Sullivan refused to dismiss NVRI's case and required the FEC to answer, by Aug. 30, certain questions about its handling of the complaint.

"This ruling is a major victory for accountability in government," said Lisa Danetz, an attorney with the NVRI and lead counsel for the plaintiffs, who also include two Missouri voters. "This matter involved serious charges against the attorney general's 2000 Senate campaign committee and his leadership PAC."

The case revolves around a February 2001 Washington Post report that the Spirit of America PAC, Ashcroft's leadership committee, had contributed a fundraising list containing 100,000 donor names to Ashcroft's Senate committee, thus making an illegal contribution.

In 2001, an Ashcroft aide told the Post that 'all activities involved in handling the list were in accordance with FEC guidelines.'

The FEC does not comment on pending legal matters.

No Leftovers. Ex-Sen. Bob Smith (R-N.H.) just can't seem to catch a break.

After losing his re-election battle in a primary last fall, the former Senator decided to form a charitable organization called the American Patriot Foundation. Recently, he asked the FEC if he could transfer \$60,000 in leftover campaign funds to the group.

But it looks like the FEC will be nixing his plan.

In a proposed advisory opinion on this, which the commission is set to vote on Thursday, the FEC states that because Smith had tried to refund the \$60,000 in excess contributions to the original contributors - the checks were never cashed, leaving the money in his campaign coffers - he has to return it to Uncle Sam.

Although FEC rules 'do not specifically address the situation where an attempt to refund contributions proves unsuccessful,' the draft opinion finds that 'in analogous circumstances the regulations require disgorgement to the United States Treasury.'

'Therefore, the [campaign] must deliver to the [FEC] a check in the full amount of the designated contributions payable to the Treasury of the United States,' the opinion states.

- Amy Keller

CIVIL RIGHTS:

Detroit Cop Reform Launched (Detroit News)

Federal watchdog takes over today, says five-year oversight plan will top \$6 million

By David Shepardson and Darren A. Nichols

The Detroit News, July 23, 2003

DETROIT -- The court-appointed federal monitor of the Detroit Police Department said Tuesday that her office expects to spend at least \$6.25 million over the next five years to oversee an extensive reform of the 4,100-officer force.

Sheryl L. Robinson of Kroll Associates begins her tenure today as monitor of the police department under two agreements, known as consent decrees, between Detroit and the U.S. Justice Department to change the department's practices and policies.

The consent decrees, which were approved Friday by U.S. District Judge Julian Abele Cook Jr., call for improvements in the conditions of the department's holding cells for prisoners; the department's use-of-force policy; the training of officers; and how the department treats witnesses of crimes.

"This will be a very difficult process for DPD," Robinson told Cook. "There are some very stringent time lines in the documents, and our role will be to help facilitate change."

Robinson's start date coincides with the anniversary of the 1967 Detroit riots -- an "ironic symmetry" because the riots started after a police raid on an after-hours club, Councilwoman Sheila Cockrel said during a meeting the council had Tuesday with Robinson.

Robinson, a former federal prosecutor, is managing director of the Washington office of Kroll Associates, which also monitors the reform of the Los Angeles Police Department. The company previously helped oversee the federally mandated reform of the Teamsters union.

"We have to find what we're going to do in Detroit," Cockrel said. "(Robinson) has to let everybody show their hand before she can determine who's playing what kind of role in complying or not complying."

Robinson told City Council she would first meet with the parties and set standards for compliance for every paragraph of the consent decrees.

"There will be no surprise about what compliance is in the middle of the process," Robinson said. "What we're going to do is everything we can to make the department much better so that no one is saying anymore this is the worst police department."

In a recent interview with The Detroit News, U.S. Attorney Jeffrey G. Collins Jr. agreed that the federally overseen reform would take a lot of work. Collins called the consent decrees "a sledgehammer" that would ensure long-lasting improvements in the police department.

Collins said the city hadn't made much progress since his office sent three letters between March and June of 2002 that outlined more than 150 problems in the department. The letters were intended to put the city on notice of the significant problems.

"It (reform) is still in the early, embryonic stages," Collins said. "This agreement will hopefully be the turning point in which you will be able to start measuring results.

"If you want to have actual reform, having the court oversight, having the monitor -- this is the vehicle with the most teeth."

The Police Department must submit a report by Nov. 15 outlining its progress in implementing the reforms. Robinson is to file her first quarterly progress report with U.S. District Court in October.

Robinson will present her budget proposal to Cook early next month, and then the Justice Department and city will be able to raise objections to it. She said the proposal would be \$1.25 million a year plus expenses.

Robinson told the council the amount is less than her firm first calculated it would cost -- and less than the \$11 million Los Angeles will pay over the next five years.

Her monitoring team will have a Web site and an office in Detroit, but neither has been set up yet, she said. Robinson didn't specify the size of her staff, but said it would be less than 30.

Cook said he was optimistic about the chances for the success of the reform effort.

"We are on the road to making Detroit a great city once again," Cook said Friday. "I ask those of you who are in the community to be patient as we collectively work forward -- look forward to resolving these problems."

But Ron Scott, a member of the Coalition Against Police Brutality, said citizens groups such as his are not being given a big enough role in the reforms.

"In terms of participation with the community, that was an afterthought," Scott said. "But for the people who fought for this, there would be no investigation. I'm kind of disappointed and frustrated that the technical apparatus is being set up, but the human apparatus is not."

A spokeswoman for police Chief Jerry A. Oliver Sr., Deputy Chief Tara Dunlop, said the department has made progress since it received the letters from Collins last year.

Oliver has said that the city agrees with all of the proposed changes and has been operating since June as if the consent decrees had already been approved.

Detroit Council Questions Police Monitor (DFP)

By Erik Lords

The Detroit Free Press, July 23, 2003

Sheryl Robinson, the federal monitor who will oversee the court-ordered reform of Detroit's beleaguered police department, will soon have a lot of questions for top police officials.

But on Tuesday, it was Robinson providing the answers as she was questioned for an hour by the Detroit City Council about everything from her role in the reform effort to how city officials will be able to track progress and how citizens will be involved.

Robinson's appearance before the council was mandated by U.S. District Judge Julian Cook last week. She begins her job today.

"As far as the judge was concerned, it was essential that she met with the council because city government means the mayor and the council," council president Maryann Mahaffey said.

The council has fought hard to make sure it was involved in the city's consent decrees with the U.S. Department of Justice over police brutality.

Robinson, of the New York-based risk consultant company Kroll Associates, will provide technical assistance to Detroit police and issue periodic reports on reform efforts.

Robinson said she and her staff will not hold public hearings, but will attend forums throughout the city that address concerns about the police department.

During the five-year process, Robinson's role will be to make sure the police department complies with federal court orders about treatment of prisoners and lethal force.

Councilwoman Sheila Cockrel said she wants Oliver to address the council next week to see exactly which officers will work most closely with the monitor.

The federal civil rights investigation into the Detroit Police Department began after Free Press reports on fatal police shootings of civilians prompted then-Mayor Dennis Archer to ask the Justice Department for help.

Biased Justice Report Slammed Training Schools, Lawmaker Says (AP)

By Matt Volz

The Associated Press, July 23, 2003

RAYMOND, Miss. - A Justice Department report that found a pattern of physical abuse at Mississippi's two juvenile training schools was shabbily prepared and possibly politically motivated, a state legislator charged Tuesday.

Rep. George Flaggs, chairman of the House Juvenile Justice Committee, made the allegations during a tour of the 300-student Oakley school southwest of Jackson and the 200-student Columbia school in Marion County.

"It is grossly unfair for us to expect your agency to supervise so many children and then underfund it," Flaggs told Willie Blackmon, the head of youth services for the state Department of Human Services, who conducted the tours.

The Justice Department said adolescents at the training schools had been hogtied, chained to poles and forced to eat their own vomit. The findings were based on interviews conducted with students and employees last year. The 48-page document said the schools had too many unfilled jobs.

DHS's response to the Justice Department, released by Flaggs, addressed each issue raised. The response, submitted a week ago, said some of the challenged practices had been discontinued or modified.

Blackmon said DHS had hired an external auditor on July 1 to assess both schools and to make recommendations. He said internal auditors would make continuous assessments, and a new post had been established to investigate and respond to abuse reports.

The tour, which included Flaggs, state Rep. Walter Robinson (D-Bolton), DHS officials and an entourage of reporters and photographers, inspected buildings but did not speak directly to the juveniles, called cadets.

Journalists were shown a clean campus lined with a mix of old and new brick buildings.

Asked after the tour why he accused the Justice Department of acting for political reasons, Flaggs (D-Vicksburg) said the report was designed for its shock value. He said its release appeared timed to hurt the administration of Gov. Ronnie Musgrove, a Democrat who is seeking re-election.

Musgrove is expected to face Republican Haley Barbour in November.

"Well, one of their good guys is running for governor of this state," Flaggs said of the Bush administration. "Haley mentioned he's got some connections in Washington, so he's probably using some of them to make Mississippi look bad so that he can clarify what he is saying - that he can do better."

Barbour spokesman Quinton Dickerson said only that "Representative Flaggs's accusation is ridiculous." The Justice Department did not immediately return calls seeking comment.

Flaggs said DHS leaders told the 2003 Legislature the training schools faced serious problems without money for adequate staffing. He said as committee chairman with oversight over the institutions, he took responsibility for what took place "under my watch."

The Legislature must also take some responsibility for failing to solve the staffing crisis, Flaggs said.

Blackmon said Oakley had a 40 percent staff vacancy rate, while Columbia was 19 percent understaffed.

DHS, which is operating in a deficit, was budgeted for \$375 million - including \$76 million in state funds - for this fiscal year. It is up to the agency director to allocate money to individual programs, such as the training schools.

Three top administrators were taken off their jobs at Columbia and Oakley following release of the report and given paid, off-campus duties while the state conducts its own probe.

Most students live in cottages that each house up to 30 of the T-shirt and fatigue-dressed cadets. Those considered a security risk are housed in a 265-bed medium security building and wear green jumpsuits and flip-flops.

Blackmon said only about 100 of the medium security beds are being used now because of the staffing shortage.

'Peace Ambassadors' Walk Inglewood Before Police Trial Verdict (AP)

By Brian R. Bland

The Associated Press, July 22, 2003

INGLEWOOD - Hoping to avoid a repeat of the 1992 Los Angeles riots, hundreds of "peace ambassadors" are preaching nonviolence as they await a verdict in the trial of a white police officer accused of assaulting a black teenager.

As many as 1,500 young volunteers in gold T-shirts have been walking door-to-door, passing out leaflets and signs reading "peace after the verdict," Mayor Roosevelt Dorn said at a news conference Tuesday.

They were organized by a coalition that includes the federal Justice Department, Los Angeles police, the Los Angeles County Human Rights Commission and at least a dozen churches and other groups.

"There is absolutely no reason whatsoever, no matter what the verdict turns out to be, for any form of violence," Dorn said. "That is not the answer, never has been the answer, never will be the answer."

Peace plans have been in the works for nearly a year in this southern Los Angeles suburb, which is heavily black and Hispanic and struggles with crime and poverty.

On July 6, 2002, Inglewood police Officer Jeremy Morse was caught on videotape slamming handcuffed Donovan Jackson, 16, onto the trunk of a police car, then punching him in the face. The incident drew angry protests and calls for investigation.

Morse, who has been fired, said the punch was a reaction to the youth grabbing him by the groin. He is on trial, charged with assault under color of authority. His former partner, Officer Bijan Darvish, is charged with filing a false police report. Morse, 25, and Darvish, 26, each could be sentenced to three years in prison if convicted.

In 1992, riots broke out across Los Angeles County after a jury acquitted four white Los Angeles policemen of state charges in the videotaped beating of motorist Rodney King. The four days of violence killed 55 people, injured more than 2,000 and caused \$1 billion in property damage. Two of the officers later were convicted of federal civil rights charges and went to prison.

Inglewood's mayor said it is up to the community to set an example of peace and love.

Kalid Shah, executive director of Stop the Violence-Increase the Peace Foundation said volunteers will take that message to the streets immediately after the verdict.

"We plan...to set the tone for peace," Shah said.

In addition, an evening prayer vigil will be held at City Hall, and a dozen churches have pledged to be open as potential sanctuaries in case of trouble.

Shah and other coalition leaders say their work will continue after the trial, with the aim of stopping the gang violence that plagues the community.

The leaders said they eventually hope to take the concept nationwide.

Obscenity Law In Ohio Targeted By Lawyer (WTimes)

By Frank J. Murray

The Washington Times, July 23, 2003

A lawyer who specializes in defending the distribution of sex images, including by Larry Flynt's Hustler magazine, has moved to overturn Ohio's obscenity law on the basis of the recent Supreme Court decision legalizing homosexual sodomy.

"Practically all choices made by consenting adults regarding their own sexual practices [are] a matter of personal liberty and thus beyond the reach of state control," H. Louis Sirkin told Common Pleas Judge Richard A. Niehaus in Cincinnati in presenting his view of the Supreme Court's 6-3 June decision in *Lawrence v. Texas*.

Judge Niehaus reserved decision on Mr. Sirkin's 15-page motion and allowed the trial of Shawn Jenkins of Cincinnati to enter a second day yesterday. Mr. Jenkins was arrested in October 2001, but an earlier trial had been postponed after he arrived at court drunk two days in a row.

Mr. Jenkins faces up to a year in prison on one count of pandering obscenity at his Tip Top Magazines store, where an undercover sheriff's deputy, Sgt. Matt Guy, bought the videotape titled "Maximum Hardcore Extreme, Vol. 7."

Citing what the law calls a "due process right to privacy," Mr. Sirkin noted high court references to bedrooms and sanctity of the home in the sodomy decision and other rulings - including on abortion, contraception and parental rights.

This, he asserted, must include that the right to own obscene material at home includes a right for others to sell such materials. The suit is among the first to reach beyond homosexual issues in using the high court's June 26 decision barring states from criminalizing "sexual practices common to a homosexual lifestyle."

"[Those rights] have moved out of the marital bedroom and into the public sphere of commercial interactions and private interactions between consenting adults," Mr. Sirkin said, citing Justice Antonin Scalia's analysis that the sodomy decision calls into question state laws against obscenity as well as bigamy, homosexual "marriage," adult incest, prostitution, masturbation, adultery, fornication and bestiality.

Hamilton County prosecutor Mike Allen told The Washington Times in a telephone interview yesterday that he expects the motion to fail, but that he takes it seriously because it had been filed by Mr. Sirkin, whose most recent high-visibility case was his persuading the high court last year to strike down the Child Pornography Prevention Act of 1996.

"It's our position that [the ruling] doesn't apply to the seller in obscenity prosecutions," Mr. Allen said. Mr. Jenkins, he said, runs a store that sells videos and is not a purchaser viewing them at home.

"I can't remember the last time in this county a person was prosecuted for owning an obscene videotape. It's the person who's selling or distributing, or pandering, if you will." This suggests that Mr. Sirkin is distorting the sodomy ruling.

"It's not surprising that Lou would be the first to invoke it because this is his area of expertise. We respect Mr. Sirkin's legal acumen, but the Texas sodomy decision just is not applicable."

The prosecutor said the Tip Top arrest was the fruit of an investigation by the office of Sheriff Simon Leis Jr., a former prosecutor who throughout his career has pursued Larry Flynt, often encountering Mr. Sirkin as the pornographer's defense lawyer all along the way.

Mr. Sirkin argued in court that the videotape, which does not feature homosexual activity, is not obscene. As is usual in obscenity cases, a jury will decide whether the material violates community standards of decency.

On Monday, assistant prosecutor Brad Greenberg told the jury that the \$15 videotape qualifies. "Everybody has a normal, healthy interest in sex, but ... this crosses the line."

By raising the federal constitutional issue at trial, Mr. Sirkin preserved the right to appeal through the Ohio courts and all the way to the U.S. Supreme Court should Judge Niehaus turn him down, as Mr. Allen predicts he will.

ANTITRUST:

House Media Vote Signals A Fight Over Ownership (WSJournal)

By DAVID ROGERS and YOCHI DREAZEN

The Wall Street Journal, July 23, 2003

WASHINGTON -- The escalating fight over media-ownership rules is on a path now that could lead to the first veto confrontation between President Bush and the Republican-controlled Congress.

The White House drew the lines more sharply Tuesday with written veto threats. But Mr. Bush faces strong bipartisan opposition to last month's Federal Communications Commission decision raising the cap on how many local television stations can be owned by a single company, to 45% from 35% of the national audience.

The House voted 254-174 Tuesday night to let stand that portion of the FCC ruling that would also make it easier for companies to own newspapers and TV stations in the same market. But the Republican leadership, lacking the support, made no attempt even to strike an accompanying provision barring any relaxation of the national ownership cap.

FCC allies, like House Energy and Commerce Committee Chairmen W. J. "Billy" Tauzin (R., La.), are betting veto threats alone will kill the amendment in final negotiations with the Senate. But Sen. Judd Gregg (R., N. H.), a strong Bush ally who will manage the bill in the Senate, warned that this could be a gamble that the administration loses.

Mr. Gregg said the narrow focus on preserving the 35% cap made a budget amendment easier to accept, and much as Mr. Bush would be favored to win a veto fight, he could find that the issue is wrapped into a must-pass omnibus spending bill that would be harder to kill.

"I think it could make it through the system when all is done because it's in a bill too big to veto," Mr. Gregg said.

Within the broadcast industry, the caps issue has divided local affiliates and the major networks, even as a remarkable cross section of liberal and conservative groups have united in opposition. The coalition runs from the National Organization of Women to the Christian Coalition and National Rifle Association, and plays on resentment of the major networks.

"We meet at neutral sites," joked Gene Kimmelman of Consumers Union, who questioned if Mr. Bush would carry through on the threats and veto "a bill that should prevent TV networks from piping more violent or raunchy television programs into the homes of consumers."

If enacted, the provision would hit Viacom Corp. and News Corp. both of whose broadcast networks own affiliates reaching more than 35% of the country and would have to sell a few stations if the bill becomes law.

In the Senate Appropriations Committee, Chairman Ted Stevens (R., Alaska) and Sen. Ernest Hollings (D., S.C.), who will manage the FCC budget bill with Mr. Gregg, are outspoken opponents to the June ruling, and their support makes it likely some language reversing the FCC will make it into the Senate bill.

Sens. Stevens and Hollings are already testing the waters with a stand-alone bill that reverses the new rules outright. The Senate Commerce Committee passed such a bill last month overwhelmingly, and it now has 43 cosponsors. And former Republican Leader Trent Lott of Mississippi has proposed that lawmakers strike first by invoking a rarely used congressional veto that allows majorities in both houses to overturn regulatory decisions.

As adopted, the House rollback is part of a much larger \$41.2 billion bill funding the Departments of State, Commerce and Justice as well as the FCC and other regulatory agencies. Fast on the heels of passage, Republicans expect to take up a \$17.2 billion foreign-aid budget.

Almost \$1.8 billion would be cut from Mr. Bush's aid requests. Two top priorities -- Millennium Challenge grants that reward nations with aid for taking steps toward democracy, and fighting AIDS in Africa -- must compete for the remaining funds. In his recent trip to Africa, Mr. Bush cast the Millennium initiative as important to poor countries there as well, but few may qualify given

the tough standards set. Members of the House Black Caucus are proposing Wednesday to cut as much as \$500 million and add the same funds to the AIDS battle.

Republicans Are Adding Weight To Reversal Of FCC Media Rule (NYTimes)

By STEPHEN LABATON

The New York Times, July 23, 2003

WASHINGTON, July 22 - Until recent days, the nation's largest media conglomerates had hoped that the House of Representatives would kill the growing political efforts to overturn their recent deregulation.

But in a stunning political development, the House now appears poised to support the reversal of a new rule that permits the nation's biggest TV networks to grow even larger.

The House began debate today on a spending measure that contains a provision that would overturn the new network ownership rule. Both supporters and critics of the rule say that the measure has broad bipartisan support and is likely to be approved this week.

Because a Senate committee recently approved a similar measure by a broad bipartisan majority, the movement in the House increases the likelihood that Congress will reverse at least some key elements of the new media ownership rules adopted last month by the Federal Communications Commission. In recent days, the White House has publicly joined the debate, saying that advisers have recommended that President Bush veto the legislation if it is passed by both houses.

Such a veto could be overridden by two-thirds of the voting members of the House and Senate.

The growing political movement to reverse the rules is remarkable at a time when Washington's major political institutions and federal courts have been dominated by deregulatory thinkers. It was assumed that the House would defend the new rules and block any effort to change them. But that changed last week when 11 Republicans deserted their leaders to join with the 29 Democratic committee members to approve the measure in the legislation on the floor of the House tonight.

That decision came in response to a groundswell of criticism to the new rules by a broad coalition of liberal and conservative organizations that raised concerns about media companies growing too large. The groups include the National Organization for Women, the National Rifle Association, the United States Conference of Catholic Bishops and organizations representing Hollywood writers and independent producers.

The new media ownership rules, adopted by a bitterly divided F.C.C., are among the most significant deregulatory steps undertaken during the Bush administration. They relax many of the most significant restrictions on the ability of broadcast and newspaper conglomerates to both expand into new markets and extend their reach in the cities where they already have a presence.

The House measure would reverse one of the most significant new rules. The commission had ruled that a network could own television stations that reach up to 45 percent of the nation's viewers, an increase from 35 percent. The House measure would restore the old 35 percent limit by prohibiting the commission from spending any money to permit the transfer of a broadcast license to any company above that limit.

Today, the House rejected an amendment by two Democrats, Maurice D. Hinchey of New York and David E. Price of North Carolina, that would have reversed two other new media ownership rules. Those rules would make it easier for a company to own a newspaper and a broadcast station in the same city and allow a company to own more TV stations in the same market.

The House voted 254 to 174 to defeat the amendment after some members said they supported it in principle but urged their colleagues to vote against it on tactical grounds. They said they feared that if the amendment were adopted, the bill would not pass by a veto-proof margin.

Despite its defeat, the move toward reversing the network ownership rule is a significant political blow to both House leaders and the chairman of the F.C.C., Michael K. Powell. Mr. Powell, an architect of the deregulatory effort, is on vacation, and the commission's top spokesman, David Fiske, said he would have no comment on the day's events.

The commission voted 3 to 2 along party lines last month to make the most far-reaching changes to the media rules in a generation. The new rules were heavily promoted by media conglomerates, some of which urged the commission to go even further, and against a flood of comments from hundreds of thousands of people who opposed the changes.

House leaders, recognizing that they faced an embarrassing defeat if they made an issue of the network cap provision on the floor, decided to let it pass with the hope that it could be stripped when the measure is reconciled with the version of the spending bill adopted by the Senate. Such hope may be futile, however, because one of the chief sponsors of a similar measure reversing the new F.C.C. rules is Senator Ted Stevens, the Alaska Republican who heads the Senate Appropriations Committee.

The media ownership provision is part of a \$37.9 billion spending bill that finances the Justice, State and Commerce departments.

There was little discussion today over the provision to restore the national television cap to 35 percent.

But a sharp debate was prompted by the amendment proposed by Mr. Hinchey and Mr. Price to reverse the two other new rules.

"Restoring these previous rules is essential to preserving the localism, diversity and competition in our airwaves - standards that are needed for a vibrant democracy," Mr. Price said.

But the amendment drew widespread opposition from some members on tactical grounds and others for substantive reasons.

Reflecting the apparent view of a large number of Democrats, Representative David R. Obey of Wisconsin, the ranking Democrat on the appropriations committee, said he supported the amendment in principle but urged his colleagues to oppose it for fear that it would weigh down the legislation and put a veto override at risk.

"I oppose everything the F.C.C. did," said Mr. Obey, the chief sponsor of the measure restoring the network ownership cap to 35 percent. "But the problem is you have to make intelligent decisions as to how much you can bite off."

He added, "We are taking on the media giants of this country, and when you do that, you better doggone make sure you have the votes. This is a killer amendment. It will break the camel's back."

Other senior Democrats agreed.

"On substance, they are correct, but the perfect good is the enemy of the good," said Representative John D. Dingell, Democrat of Michigan. He said that the reversal of other new F.C.C. media rules could be accomplished by other legislation.

And a number of Republicans said they opposed the proposal because it represented a step backward.

"This amendment would stop in its tracks the reasonable deregulation of the rules," said Representative Billy Tauzin of Louisiana, the chairman of the Energy and Commerce Committee.

Repeating one of the main justifications offered by the F.C.C. for the new rules, Mr. Tauzin said that the Hinchey-Price amendment would lead to the elimination of free over-the-air television.

House May Block Part Of FCC's Media Plan (WPost)

By Jonathan Krim and Christopher Stern

The Washington Post, July 23, 2003

The House moved closer last night to blocking the Federal Communications Commission from allowing television station ownership to be concentrated in fewer corporate hands. The vote, expected today, would be a slap at the House leadership, which had struggled to keep its members in line and support the FCC.

But the Republican majority, with help from many Democrats, thwarted an effort to derail the FCC's plan to allow more newspapers and television stations in the same locale to be owned by the same company.

The result is that the most dramatic and controversial changes in media-ownership rules in a generation are likely to be scaled back, though probably not as much as an array of citizen groups and several Democrats had sought. Still, an outcome that scraps any part of the new FCC rules would be a rare defeat for the disciplined GOP and the White House, which had hoped the new rules pushed by the Republican FCC chairman, Michael K. Powell, would sail through.

Under the expected House vote, the FCC could not proceed with its plan to allow a single media company to own enough television stations to reach 45 percent of the national audience. Instead, the cap would revert to the 35 percent figure in place before the FCC issued new rules early last month.

Assuming the House votes as expected, the action would move back to the Senate, where the Commerce Committee already has passed a bill to roll back the TV-ownership cap. The bill also would limit the FCC's relaxation of rules governing combined newspaper and television ownership, setting up a potential battle in a conference committee if the full Senate approves the measure.

Spokesmen for key GOP House leaders were unconcerned, and said they think they can even restore the 45 percent cap in conference negotiations. They argue that with the GOP controlling both houses of Congress, it is unlikely that a bill that President Bush might veto would get passed.

"Republicans control this place and the last thing they are going to do is embarrass this president," said John Scofield, communications director of the House Appropriations Committee.

Opponents of the television-ownership change say it would lead to further erosion of local control and diversity of news and ideas in an industry that already is dominated by a handful of mega-corporations. The FCC has argued that in the age of the Internet and hundreds of channels of cable and satellite television, the old ownership rules made no sense.

Bush has not commented directly, but a statement from the Office of Management and Budget said the administration supports the new rules, and the president's advisers would counsel him to veto a bill that changed any of them.

But Democrats and consumer activists were similarly confident.

They noted that many Republicans, especially from rural areas where one or two media outlets dominate the landscape, support scaling back the FCC television cap. And they seemed to relish the prospect of Bush vetoing a measure that has strong public support.

"The fact that the House is passing [a reduced] national cap opens the door for the Senate to combine other measures that are stronger and to challenge the White House," said Gene Kimmelman, director of public policy for Consumers Union.

Nonetheless, many sympathetic House Democrats were sufficiently wary of the GOP's power that they helped kill an amendment by Reps. Maurice D. Hinchey (D-N.Y.), and David E. Price (D-N.C.) that would have reversed the newspaper-television cross-ownership rule.

Senior Democrats such as Reps. John D. Dingell of Michigan and David R. Obey of Wisconsin convinced many of their colleagues that too many Republicans who had bucked their leaders and supported the television-cap rollback would abandon the bill if the newspaper provision also passed, leaving them with nothing.

Indeed, the tactical debate among sparring Democrats was some of the most impassioned of the day.

"A monopoly of ideas is more destructive to our democracy than a monopoly of money," said a hoarse Rep. Jay Inslee (D-Wash.), who urged his colleagues to support the Hinchey-Price amendment.

Rep. Edward J. Markey (D-Mass.) said the newspaper-television rule "is the worst decision ever made in the history of the Federal Communications Commission."

Obey said that he, too, opposed allowing more combined newspaper-television ownership. But "I want this bill to get 290 votes, so that there can be an override" if the president vetoed the bill, he said.

"I want the president of the United States to do that," retorted Rep. Bernard Sanders (I-Vt.). "But he is smart enough not to do that."

Rep. Barney Frank (D-Mass.) said it would be difficult for a conference committee to strip out the television ownership cap because it is in both bills. "They may have some trouble passing a conference board report without this," he said.

The media-ownership battle has been raging almost from the moment Powell signaled his desire last year to update the rules to better reflect the Internet age.

Armed with court rulings that demanded better justification for ownership caps, and a congressional mandate to review the rules periodically, Powell set out on a path of deregulation.

Large newspaper companies and television networks support the changes, while many smaller broadcasters oppose them.

Meanwhile, a bipartisan grass-roots campaign, orchestrated in part by Democratic FCC commissioner Michael J. Copps, the Christian Coalition of America and other conservative groups, sought to pressure the three-member Republican majority on the FCC to keep the old rules.

But the effort failed.

'Big' Isn't 'Bad' (WSJournal)

Op-ed by BOB WRIGHT

The Wall Street Journal, July 23, 2003

Unfortunately, public discourse on important issues sometimes becomes untethered from fact and reason. Such is the case with the response to the Federal Communications Commission's expansion of the national television station ownership cap, which would allow a single entity to own stations that have a potential reach of 45% rather than 35% of the national TV audience.

Rep. David Obey (D., Wis.) expressed the sentiments of many recently when he said: "I don't want ownership factors to get in the way of districts like mine from being able to have their own cultural attitudes." But the FCC's modest adjustment of ownership rules does not mean the silencing of local voices under the weight of monolithic media companies. On the contrary, the record shows that local voices, as measured by the amount and quality of local news and public-affairs programming, increase when networks such as NBC take operating control of television stations.

Views such as Rep. Obey's reflect a politically convenient populism that equates "big" with "bad." There are a number of mistaken assumptions at work here: 1) that the corporate parent of a broadcast station dictates its point of view or "cultural attitude"; 2) that the alternative to a station's being owned by a broadcast network is ownership by a mom-and-pop enterprise with offices above the five-and-dime on Main Street; 3) that such a small owner is better able to present a distinctive "voice" in the community than is a large media company.

In fact, the location of a media company's home offices has nothing to do with its "voice." Station owners are in the business of appealing to their local audiences. They do that by serving their communities the best way they know how. In NBC's case, this means providing a local station with superior newsgathering and technical resources that enable it to enhance and extend its local programming. This is good for the community, and it is good business. A smaller owner, with more limited

resources, is all too often forced to jettison expensive local news coverage in favor of less expensive programming imported from national syndicators.

Moreover, if a broadcast network is prohibited from owning a station in a desirable market, the owner is unlikely to be a small, locally based company. It will instead be a large, diversified media company like Belo, Gannett, Hearst-Argyle, Scripps, or the Washington Post. It defies logic to claim that, in the name of "localism," the \$6 billion Gannett Co., the Arlington-based owner of 100 daily newspapers and 22 television stations, should have freedom to expand its TV stations business but NBC, ABC, CBS, and Fox should not.

One more point that is lost in this debate: The FCC's rules are based on theoretical audience reach -- measured by each station's antennal signal coverage -- not actual viewership. This is like measuring Ford's market share by the percentage of Americans within driving distance of a dealership -- regardless of how many cars Ford actually sells! According to the FCC, NBC has a theoretical national reach of 34% of the nation's households. But our actual national viewership, during prime time, when we have the largest audience, is less than 3% -- nowhere near the 40% market share that is the normal threshold to trigger market-concentration worries. An expansion of the national cap to the FCC's 45% limit would, at best, allow us to increase that by a point or two.

This is hardly a big move. But it is significant, particularly for viewers. Because one thing it would allow us to do is purchase additional stations for our Telemundo network, thus adding many hours of Spanish-language newscasts in key markets that currently underserve their Hispanic residents.

The be-all, end-all of local broadcasting is forging a connection with a particular community's distinctive audience. The general managers in charge of our stations wake up every day committed to that mission. To us, it's the only way to run a television station -- and the feedback we get in the form of ratings tells us that the public thinks we do a good job. Nonetheless, big media makes an attractive target. Unable to resist, some members of Congress are jumping on a populist bandwagon and seeking to keep the FCC's new rules from taking effect. However, it would be a disservice to their constituents for Congress to restrict business activity that has such demonstrable public benefits.

Who controls the public airwaves is a legitimate area of congressional interest. But as with any important issue, Congress should base its actions on fact, not fiction.

Mr. Wright is vice chairman of GE, and chairman and CEO of NBC.

Watchdog Asks Justice Dept To Block Oracle (CNETNews)

By Alorie Gilbert

CNET News.com, July 22, 2003

Oracle's attempt to acquire PeopleSoft is under attack by a conservative legal action group that is urging federal antitrust regulators to block the deal.

The National Legal and Policy Center (NLPC), a nonprofit based in Washington, D.C., has asked the U.S. Department of Justice, which is now reviewing Oracle's hostile \$6.3 billion bid for the rival software company, to stop the deal, the group said Tuesday.

The proposed merger of Oracle, the second-largest maker of business automation applications, according to market analysts, and PeopleSoft, the third largest in the market, "clearly violates federal antitrust laws," Kenneth Boehm, chairman of the NLPC, said in a statement. Combined, Oracle and PeopleSoft are still smaller, however, than SAP, a competitor with the largest share of the market.

"This attempted hostile acquisition would significantly reduce competition in large enterprise applications, inflict severe financial damage on PeopleSoft customers who have heavily invested in the company's software applications, and inappropriately pressure the 40 percent of PeopleSoft customers who use database products from IBM and Microsoft to switch to Oracle," the group's letter to the Justice Department stated.

Oracle's unsolicited bid for PeopleSoft, launched last month, is under review by the Justice Department and by as many as 30 state attorneys general. The antitrust scrutiny grew more intense last month, when the department extended its initial review of the deal with a second request for information. The state of Connecticut has filed an antitrust suit against Oracle, and PeopleSoft has hired a renowned antitrust lawyer to help it fend off the bid.

Oracle maintains that its plans will not harm competition and that they are an inevitable part of a rapidly consolidating industry.

The NLPC, founded in 1991, says it promotes ethics and accountability in government and business. The group distributes a newsletter called Union Corruption Update, which scrutinizes organized labor. It receives funding from 3,000 individual donors as well as conservative groups, including the John M. Olin Foundation and the Scaife Foundations, Boehm said.

Dana Board Rejects ArvinMeritor Offer (AP)

The Associated Press, July 22, 2003

TOLEDO, Ohio - Dana Corp. said Tuesday its board of directors has rejected an unsolicited tender offer from rival auto parts maker ArvinMeritor, Inc.

ArvinMeritor, a Troy, Mich.-based supplier of shocks, struts, suspensions and exhaust systems, had offered \$15 per share in cash for all outstanding shares of its larger competitor.

ArvinMeritor launched the \$2.2 billion takeover bid for Dana on July 9. Assuming Dana's debt and other minority interests would increase the total value of the deal to \$4.4 billion, ArvinMeritor said.

Dana's board said ArvinMeritor's offer was financially inadequate and a high-risk proposal that would reverse Dana's restructuring efforts to slim down. It recommended that shareholders not tender their stock.

The board also said significant financing risks and antitrust concerns could prevent completion of such a deal.

"There is virtually no rationale for accepting this offer, which represents inadequate value and a high level of risk for shareholders," said Dana Chairman and CEO Joe Magliochetti. "This is just a move to become bigger not better."

Magliochetti said Dana has sold \$540 million in assets since 2001, including part of its engine parts business last month, and isn't interested in becoming any larger.

He said antitrust laws also could be broken because both companies control large market shares in commercial vehicle parts.

ArvinMeritor said it remains committed to the transaction and "may be prepared to analyze further whether a higher value is warranted."

"Our offer permits Dana's shareholders to realize an attractive cash offer for their shares today without bearing the risks of Dana's long-term restructuring efforts," ArvinMeritor said.

Also on Tuesday, Dana reported second-quarter earnings of \$52 million, or 35 cents a share. That matches the \$52 million in earnings the company posted for the same three-month period of 2002. Net sales fell to \$2.54 billion from \$2.58 billion.

Dana shares closed at \$15.28, up 4 cents, and ArvinMeritor closed down 26 cents at \$18.59 Tuesday on the New York Stock Exchange.

Toledo-based Dana had sales of about \$10 billion in 2002 and employs more than 60,000 people worldwide. ArvinMeritor had nearly \$7 billion in revenue in 2002 and employs 32,000 employees at 150 plants in 27 nations.

ArvinMeritor's chairman and chief executive, Larry Yost, has said combining the companies makes sense in the increasingly competitive and global automotive supply business. Automakers, facing sluggish sales and a glut of manufacturing capacity, are pressuring suppliers to reduce costs.

The combined company still would be smaller than parts makers Delphi and Visteon, which Fortune magazine said had revenue last year of \$27 billion and \$18.4 billion respectively.

Dana Unlikely To Reconsider ArvinMeritor Bid (FT)

By Jeremy Grant

The Financial Times, July 22, 2003

Dana Corporation, one of the largest US automotive parts makers, on Tuesday said it was unlikely to reconsider its rejection of a hostile \$15 per share cash bid from rival ArvinMeritor, even if ArvinMeritor were to raise its offer.

Joe Magliochetti, Dana chief executive, said there was "virtually no rationale for accepting" the bid which, including the assumption of Dana debt, is valued at \$4.4bn.

Asked whether Dana might reconsider if ArvinMeritor were to improve its offer, he said: "Not really, we just don't see the benefit [of a deal] to shareholders."

ArvinMeritor made its offer 10 days ago promising to create a powerhouse in undercarriages and drivetrains for cars and commercial vehicles. It said at the time that it was prepared to raise its offer.

Industry analysts say the parts industry would benefit from further consolidation, but have expressed doubts over the likely level of indebtedness of a combined ArvinMeritor-Dana.

However Mr Magliochetti said of the bid: "It's a 'bigger' not 'better' idea. I don't think this is a consolidation solution here. It might represent a rescue plan for ArvinMeritor and their issues."

ArvinMeritor responded to Dana's rejection by saying it was still committed to its bid. "We believe that Dana's cites a litany of manufactured reasons to oppose this combination," it said. Dana said restructuring efforts that have been underway at the company since October 2001 had resulted in improved earnings. Releasing its second quarter earnings, Dana said it had earned 35 cents a share, compared to analysts' consensus of 31 cents.

The earnings figure was about level with the same period a year ago, in spite of a 4 per cent fall in revenues.

Mr Magliochetti said Dana's restructuring was "mostly behind us" and that investors would see "the full benefit" of it in the fourth quarter. "The most important thing is we've already expensed all the restructuring," he said.

Mr Magliochetti said ArvinMeritor's attempts to bring the two companies together contained "flawed logic" because it would result in a group spread too thinly across a range of product lines.

He also said that it appeared ArvinMeritor had not yet finalized the financing for the deal, which ArvinMeritor has said is conditional on its ability to complete the necessary financing.

Dana also repeated its accusation that ArvinMeritor's bid raised "serious antitrust issues" surrounding a combined group's dominance in the axle business. On Monday, ArvinMeritor dismissed any suggestion that possible competitive issues would be an obstacle to its bid.

ArvinMeritor: Committed To Acquiring Dana Corp (Dow Jones)

Dow Jones Newswires, July 22, 2003

TOLEDO, Ohio (Dow Jones)--Dana Corp. reported relatively flat second- quarter earnings and revenue, as the company's board rejected a \$2.2 billion hostile takeover bid from smaller rival ArvinMeritor Inc.'s .

Auto parts maker Dana also reiterated its 2003 guidance and issued a 2004 earnings estimate above analysts' consensus view.

In a press release Tuesday, the company said earnings for the second quarter were flat at \$52 million, or 35 cents a share, while sales slipped 1.4% to \$2.54 billion from \$2.58 billion last year.

Earnings for both periods included losses from discontinued operations. Excluding these items, earnings from continuing operations decreased to \$55 million, or 38 cents a share, ahead of the Thomson First Call (News - Websites) mean estimate of 38 cents a share. Year-ago earnings from continuing operations were \$58 million, or 39 cents a share.

"We entered the quarter knowing that we faced ongoing challenges within our automotive aftermarket group and startup costs associated with program launches in our structural solutions group," said Chief Executive Joe Magliochetti in the release. "Nevertheless, the benefits of the company's restructuring program helped us exceed consensus earnings estimates for the quarter."

Also Tuesday, Dana's board rejected ArvinMeritor's unsolicited takeover bid, calling it "financially inadequate," and citing financing risks and antitrust concerns that could prevent the deal's closing. Dana also said it hired Goldman Sachs Group Inc. (NYSE:GS - News) as financial adviser.

ArvinMeritor said it remains committed to its offer, which it said would allow Dana shareholders to realize a cash value for their shares today without bearing the risks of the company's long-term restructuring efforts. ArvinMeritor has previously indicated that it could sweeten the deal if Dana agreed to enter into negotiations.

Earlier this month, ArvinMeritor offered to buy Dana for \$15 a share, or about \$2.2 billion based on Dana's 148.6 million shares outstanding. In addition, ArvinMeritor offered to assume \$2.2 billion of Dana's debt and the costs of minority interests.

Dana said Tuesday that the proposed acquisition raises serious antitrust issues and would likely undergo intense scrutiny from regulatory agencies, which could result in litigation to block the deal.

The company noted that it and ArvinMeritor are the only substantial North American producers of axles, driveshafts and foundation brakes for medium- and heavy-duty trucks, with combined market shares ranging from 80% to 100%.

In addition Dana said that although ArvinMeritor would need to arrange significant borrowings to complete its offer, it has publicly stated that it hasn't formed any agreements for such financing. Dana said the size of the required financing would give ArvinMeritor one of the highest debt-to-capital ratios in the automotive supply industry.

Other observers have raised concerns about the debt burden ArvinMeritor could potentially take on. After the initial offer, Standard & Poor's put ArvinMeritor's debt ratings on watch with negative implications, saying the added debt from the deal was riskier than the transaction's benefits.

"There is virtually no rationale for accepting this offer, which represents inadequate value and a high level of risk for shareholders," said Magliochetti in a statement.

The deal now represents a discount of about 1.9%, based on Dana's closing price Tuesday of \$15.28.

Dana said that although a small number of actions remain to be completed under its restructuring plan, all costs from the program are accounted for, and it expects to realize the full benefits by year-end.

The company said it remains on track to achieve 2003 earnings of \$195 million to \$215 million, and it expects 2004 earnings of at least \$300 million, or \$2 a share.

Wall Street currently expects Dana to earn \$1.17 a share in 2003 and \$1.42 a share in 2004, according to Thomson First Call. In 2002, Dana earned \$1.15 a share.

The company plans to hold a conference call at 8:30 a.m. EDT Wednesday.

Lehman Bros Plans To Pay \$2.6b For Neuberger (USAT)

By Thor Valdmanis

USA Today, July 23, 2003

NEW YORK - Lehman Bros. (LEH) made a bold push into managing the assets of wealthy investors on Tuesday, while, at the other end of the spectrum, discount online broker Ameritrade (AMTD) reported its quarterly earnings soared thanks to surging customer-trading volumes.

The news helped bolster perceptions that investor confidence may be returning on Wall Street after a three-year downturn not seen since the Depression.

Lehman said it plans to buy asset manager Neuberger Berman (NEU) for \$2.6 billion in a widely anticipated deal designed to help the Wall Street bank better compete for high-net-worth customers.

The move beyond its traditional strengths in bond trading and underwriting comes at a time when Lehman is looking to broaden its revenue sources.

The deal values Neuberger, which has more than \$63 billion in assets, at \$41.48 a share, a 20.5% premium above Neuberger's trading price before the merger talks became public last month. Lehman's shares fell 1.2% to close at \$63.70 Tuesday.

Lehman's client assets under management will grow to more than \$100 billion - with about 40% in higher fee-generating equity investments.

The high fees paid by wealthy investors make them attractive customers for banks and brokerages looking to build up consistent money-making businesses. Bear Stearns on Tuesday said it hired two CIBC Oppenheimer executives to spearhead an effort to bring in more business from rich customers. Separately, online brokerage Ameritrade delivered good news for the discount end of the market.

The Omaha-based company, which has about 3 million customers, reported net income of \$49.9 million, or 12 cents a share, up from \$5.8 million, or 3 cents a share, in the year-earlier period. Net revenue jumped 88% to \$189 million.

The news lifted Ameritrade stock 14% to \$9.42.

Ameritrade said it now expects fiscal fourth-quarter profit of 6 cents to 14 cents a share on revenue of \$142 million to \$214 million. It had previously forecast profit of 3 cents to 11 cents a share on revenue of \$116 million to \$195 million.

Ameritrade processed an average 154,300 trades per day, up 33% from the previous quarter.

"We are hopeful that we are at the end of a tough three years," Ameritrade CEO Joe Moglia said.

Ameritrade bought rival Datek for \$714 million in September 2002, giving it 800,000 more traders and catapulting it to the industry's top spot in terms of average daily stock trades.

Lehman To Buy Neuberger In Deal Worth \$2.6 Billion (NYTimes)

By LONDON THOMAS Jr.

The New York Times, July 23, 2003

In a bid to join the ranks of the large Wall Street firms, Lehman Brothers said yesterday that it would acquire Neuberger Berman, a money management firm catering to wealthy individuals, for \$2.6 billion in cash and stock.

The agreement satisfies a longstanding ambition by the management of Lehman Brothers to diversify its business, which has been dependent on the ups and downs of the bond trading market over the years. Morgan Stanley, Merrill Lynch and Goldman Sachs all have significant money management operations, and such businesses are seen as a crucial building block to becoming an elite Wall Street firm.

The deal could also presage a move by other brokerage firms to take advantage of the recent jump in their stock prices to acquire money management firms, whose revenues tend to be less volatile than their other lines of business.

Neuberger Berman has \$63.7 billion under management, a respected family of funds and a well-heeled client base. It could be a valuable platform for Lehman as it tries to muscle in on one of Wall Street's most sought after businesses: providing financial services to high net worth individuals. Lehman will have \$100 billion under management when the deal is completed, which is expected by the end of the year.

Neuberger was founded in 1939 by Roy R. Neuberger, a prominent Manhattan art collector and an honorary life trustee of the Metropolitan Museum of Art, who turned 100 on Monday.

In 1950, Neuberger Berman became one of the first money management firms to offer no-load mutual funds to individual investors.

The company went public in 1999.

To encourage Neuberger employees to stay after the deal, Lehman Brothers has set aside a bonus pool of \$120 million. Lehman has also tried to lock up 30 top fund managers by having them sign a three-year noncompete agreement and restricting the amount of stock they will be able to sell.

By adding Neuberger, Lehman is taking a step toward diversifying its revenues. After the acquisition, fee-based businesses are expected to account for 21 percent of its revenues, up from 13 percent. Lehman executives also expect cost savings and revenue gains of \$50 million in 2004 and \$100 million in 2005, as back-office operations are merged and businesses are combined.

"Neuberger Berman is one of the largest and most respected, independent, high net worth managers," Richard S. Fuld Jr., Lehman's chief executive, said yesterday in a conference call. "When Neuberger is combined with our existing wealth and asset management group, Lehman Brothers will emerge as one of the leading providers of services to a highly desirable marketplace."

Under the terms of the deal, each share of Neuberger Berman will be exchanged for \$9.49 in cash and 0.496 shares of Lehman Brothers stock, for a total value of \$41.48 as of yesterday. The portion in stock could decline if Lehman's stock rises.

Shares of Lehman yesterday fell 80 cents, to \$63.70. Shares of Neuberger fell 29 cents, to \$40.15. The stock has gained nearly 17 percent in the last four weeks as news of the merger discussions became public.

Analysts said that Lehman had agreed to a reasonable price, at about 4 percent of Neuberger's assets under management.

"It does not look as if they paid an inflated price," said E. Reilly Tierney, a brokerage stock analyst at Fox-Pitt Kelton. "Lehman wanted to take advantage of its stock market price and they are going to get a stream of equity-based revenues at the top of the market. That's a very savvy trade."

Lehman Brothers' search for an asset manager dates to 1994, when it was spun off from American Express in a public offering that left it without a significant money market division. Since then, Mr. Fuld has sought an asset management company that would be able to smooth out the company's earnings.

While Morgan Stanley and Merrill Lynch made flashy acquisitions of such firms during the stock market boom, Lehman Brothers was forced to sit on the sidelines because of its relatively weak stock price.

In the end, the collapse of the technology bubble created an opportunity for Mr. Fuld. The larger Wall Street firms, which had been buoyed by underwriting and mergers work during the boom, saw their shares suffer more than Lehman's. They were thus in no position to add to their asset management operations.

Historically low interest rates caused the bond market to take off. Lehman experienced an explosion in profits. Its stock price soared, gaining 19 percent this year, while outperforming the shares of the bigger securities firms.

With the rest of Wall Street licking its wounds and with the stock prices of money management firms also weak, Mr. Fuld took the offensive. What had always been a large gap between the market values of brokerage houses and money management firms had narrowed considerably, bringing Neuberger into Lehman's sights. Money management firms traditionally command higher valuations than brokerage houses because of their more stable, fee-based businesses. Neuberger Berman is trading at about 26 times last year's earnings, while Lehman's ratio of price to earnings is about 13.

Mr. Lane and Mr. Fuld joined Lehman in 1969, and both held senior management positions there in the 1980's. Along with Mr. Lane, several other top Neuberger executives have Lehman pedigrees. Under the new structure, Neuberger Berman will retain its brand name, and Mr. Lane is to become a vice chairman of Lehman Brothers and a member of the office of the chairman. He will not join the Lehman board.

Lehman Brothers Moves From Prey To Hunter (WSJournal)

By SUSANNE CRAIG and TOM LAURICELLA

The Wall Street Journal, July 23, 2003

For years Lehman Brothers has been potential takeover prey for Wall Street rivals. Now, Lehman Chief Executive Officer Richard Fuld Jr. is playing the role of hunter, using cash earned from Lehman's bond operations to help the firm diversify its operations.

Tuesday, the 153-year-old securities firm, Lehman Brothers Holdings Inc., announced it is buying money manager Neuberger Berman Inc. in a cash-and-stock deal valued at \$2.63 billion, which includes among other things \$255 million in excess cash held by Neuberger. Initially, Lehman appeared willing to pay as much as \$3 billion, a price tag some investors believed was too steep.

Lehman, long keen to get away from its reliance on bond trading and underwriting, aggressively expanded its stock businesses in the late 1990s, in areas such as mergers-advisory work and stock research. Despite its efforts, however, the bear market has left Lehman largely dependent on bonds, which it turns out was a blessing given how well this area did in the face of a turbulent stock market.

This deal, analysts say, should help Lehman smooth out its earnings because it will have a steady stream of income from managing assets, a business that is less volatile. In the second quarter, for instance, about 65% of Lehman's revenue came from bond trading or underwriting. With the acquisition of Neuberger, Mr. Fuld says the firm now has critical scale in managing investor assets. But the transaction comes as other big brokerage houses such as Merrill Lynch & Co. have been wooing wealthy investors that are Neuberger's core clients. With the Neuberger purchase, Lehman will manage more than \$100 billion in assets, though that still pales compared with some rivals. Merrill recently had \$471 billion of assets under management and Morgan Stanley had \$421 billion.

"Sure we have a hill to climb," says Mr. Fuld of the highly competitive world of asset management. "But I have long been a believer that business begets business and this is a great start."

The track record for brokerage-firm acquisitions of money managers hasn't been stellar. Independent-minded portfolio managers often bristle at being under the umbrella of big firms and if they walk out the door, client dollars can quickly follow.

The acquisition of Neuberger Berman poses special risks: The firm's growth has been slow, and many of its senior employees have been aiming for years to cash out their stakes in the firm.

For Lehman, the planned deal essentially is a bet on the return of a bull market in stocks. The firm is wagering that individual investors will return to the stock market in a big way and that equities will outperform bonds following a rough three-year patch for stocks.

Lehman plans to keep the Neuberger name. Says Neuberger CEO Jeffrey Lane: "While Lehman will own every last share of Neuberger, it is going to be run as an autonomous business."

For years, Lehman wasn't in a position to make big purchases. Rivals from Deutsche Bank to BankAmerica Corp. to Chase Manhattan Corp. all were interested in buying Lehman, particularly after the 1998 global market crisis severely smacked its stock. Now, says Lehman Chief Financial Officer David Goldfarb, the firm finally is in position to buy a money-management firm catering to wealthy investors: "Our strong relative performance over the past few years has created a currency to allow us to make this acquisition."

News Leaked

Lehman shares were trading at nearly \$68 when news leaked several weeks back that the firm was in talks with Neuberger. Tuesday, Lehman shares were down 80 cents, or 1.2%, at \$63.70 as of 4 p.m. in New York Stock Exchange composite trading. Lehman has been a star stock-market performer this year, thanks to its buoyant bond operations.

Its stock has a year-to-date return of 19.53% compared with the broader Dow Jones Financial Services Index, which has fallen 7.2% in the same period.

Neuberger shares initially surged on news of a possible deal but were also trading down Tuesday, and were off 29 cents, or 0.72%, at \$40.15 as of 4 p.m. in Big Board composite trading.

Neuberger shareholders are getting \$41.48 a share, a 2.6% premium to the company's stock price Monday. However, the price marks a 20.5% premium to the asset manager's trading price before news of the merger talks broke last month. Neuberger holders will receive \$9.49 in cash and 0.496 share of Lehman stock in the deal. The transaction,

Lehman said, includes a collar that will adjust the number of Lehman shares distributed if the securities firm's stock is above \$66.51 during a period shortly before closing.

Code Name 'Ruby'

The deal, randomly code-named "Ruby," calls for a \$120 million stock pool to retain key employees, including 32 Neuberger partners who manage investor assets, subject to a five-year vesting period. Indeed, retention issues were a central point in the current negotiations, according to people familiar with the talks.

Mr. Fuld says he is optimistic the two cultures will be compatible, in large part because the deal represents a homecoming for several Neuberger staffers who once worked at Lehman, including Mr. Lane.

The 61-year-old executive joined Neuberger in July 1998 and has had plenty of experience working under the umbrella of big brokerage firms. He spent his early years on Wall Street at Shearson Lehman, where he rose through the ranks to serve as president in 1987-89.

While Mr. Lane will become a vice chairman of Lehman, he says he has no designs on Mr. Fuld's job.

The deal will pose challenges. Lehman is picking up a firm whose growth engines have been sputtering. Neuberger's core private asset-management business, which provided 50% of total revenue and more than two-thirds of pretax income in 2002, has stumbled of late.

After years of more than 20% growth in the late 1990s, the asset-management group has just suffered back-to-back quarters where investors pulled money out of the firm.

Neuberger executives pinned the blame on fatigue from the bear market -- one asserted in a conference call that clients were pulling money out of the market to buy second homes -- but analysts cited the trend as a yellow flag for Neuberger's fortunes.

Kenneth Worthington, who follows both Lehman and Neuberger for CIBC World Markets, describes Neuberger's recent performance as "mediocre," and has been especially concerned with the performance of the private asset-management unit.

"The high-net-worth business should be sticky assets" -- investors staying put -- "and Neuberger's haven't been that sticky," he says.

Private Equity Deals Are Again The Talk Of Europe (NYTimes)

By JOHN TAGLIABUE

The New York Times, July 23, 2003

PARIS, July 22 - All the big names in leveraged buyouts are on the prowl for deals in Europe. But the going is not easy.

The action is shifting away from Britain, the preferred playground for buyout firms until recently, to the Continent, where potential deals abound but the political, cultural and legal hurdles are higher.

With that shift, the dominance of the big British and American specialists who reigned over the boom of the 1990's is being challenged by local competition and complicated by the depressed level of asset prices and the difficulty that some firms have had in realizing gains from earlier deals because of the economic downturn.

In the second quarter, the total value of private equity deals across Europe fell to its lowest level in four years: 10.8 billion euros (\$12.24 billion at current exchange rates), down sharply from 16.3 billion euros in the first quarter and 25.1 billion euros in the last quarter of 2002, according to Initiative Europe, a British-based research firm that tracks the market.

And while most buyout firms have plenty of cash, they are not raising new money as quickly as before - 24 billion euros in 2002, a 37 percent decline from 2001.

But the second half of this year promises a harvest of major deals. In Britain, CVC Capital Partners and the Texas Pacific Group are expected to conclude a deal for Debenhams, a British department store chain, worth some \$2.4 billion. Scottish and Newcastle, the big British brewer, will probably conclude a sale of its chain of pubs that could yield \$3.2 billion. Telecom Italia is expected to complete a sale of a controlling stake in its directory publishing subsidiary, SEAT Pagine Gialle, to a group of leveraged buyout firms including CVC Capital and Permira, in a two-stage deal that could bring in as much as \$6.7 billion.

"The second half could very well be a good one" for deals, said Nicholas Gordon, director of research at Initiative Europe. "Industry practitioners would probably agree that it's a good time for the market."

Edward A. Gilhuly, managing director in Europe for the big American buyout firm Kohlberg Kravis Roberts, agrees, though he acknowledges that the environment has become challenging. In some respects, he said, Europe was hurt less by the market downturn than the United States was, because European investors had shown less enthusiasm for the 1990's new economy bubble to begin with. "They have a little bit less to come back from," he said.

Many private equity firms have emerged with plenty of cash. Kohlberg Kravis, for example, had \$3 billion in its Millennium fund in 1999 and has since expanded it to \$5 billion, Mr. Gilhuly said, with an eye toward international investment. As European economies soured, he said, many companies found themselves with business assets they wanted to shed. But investors had no appetite for new public offerings and few companies were making acquisitions, so the private equity investors had the field to themselves.

In December, Kohlberg Kravis wrapped up a buyout of a French electrical products maker, Legrand, in a deal whose value then of \$3.6 billion made it the largest to date in Europe. But it also illustrated how complex deal making had become.

In January 2001, a French rival, Schneider, offered to acquire Legrand, but the deal was blocked by European regulators on antitrust grounds. Schneider appealed, and the appeal process was expected to take more than a year. In the meantime, Kohlberg Kravis reached an agreement with Schneider last July that if the appeal did not succeed, it would take Legrand off Schneider's hands.

"We were taking a bet that they would not win, or that if they won, it would be not in the way they wanted," Mr. Gilhuly of Kohlberg Kravis said. In the end, Schneider did win its case, but it decided to sell anyway.

Even so, Mr. Gilhuly acknowledges, the deal might not have gone through had Kohlberg Kravis not involved a French partner, Wendel Investissement, controlled by the industrialist Ernest-Antoine Sellière.

Why the French partner? "We'll never know whether we could have been an alternative buyer without them," Mr. Gilhuly said. "It eliminated an issue that might have gotten in the way."

Britain and Ireland remain the principal field for European private equity deals, with 39 percent of the total by value in the first half of the year. But France is gaining fast, with 29 percent in the first half, far ahead of Germany's 11 percent and a big jump from a 19 percent share in 2002. Not surprisingly, French financial companies have been accelerating their activities.

Last July, Lazard brought in Patrick Sayer, who had overseen its banking, media and telecommunications business in New York, to run Eurazeo, a \$3.5 billion holding company closely linked to Lazard and its chairman, Michel David-Weill. Mr. Sayer has transformed Eurazeo into one of Europe's most aggressive equity investors. In January, he engineered an \$840 million buyout of Fraikin, a truck rental business, from the Fiat group; a month later, he bought a 23 percent stake in the European aerospace group Eutelsat for \$486 million.

But buyout firms continue to meet cultural, commercial and political resistance, and not just in France. Often, the objections are raised on security concerns.

In 1999, when the Texas Pacific Group bought a controlling stake in Gemplus, a French maker of smart cards, critics suspected an American bid to seize strategic European technology - suspicions that were redoubled when Texas Pacific named Alex Mandl to run Gemplus. Mr. Mandl, once a rising star at AT&T, also served on the board of In-Q-Tel, a venture capital fund established the same year by the C.I.A. to invest in companies working on technology that could be of use to intelligence agencies.

In Germany, after One Equity Partners of Chicago paid 700 million euros last year for Howaldtswerke-Deutsche Werft, a leading builder of nonnuclear submarines, the government proposed limiting foreign ownership of military contractors. One Equity is now trying to sell Howaldtswerke.

Several acquisitions by the Carlyle Group, including a buyout of Fiat's military and aerospace unit, Fiat- Avio, and of a British military laboratory, QinetiQ, have also raised European eyebrows. Last month, the French defense minister, Michèle Alliot-Marie, ordered an investigation into military-related buyouts by American companies.

Carlyle draws suspicion because several of its directors have been important political figures, including James A. Baker III, secretary of state under the first President George Bush, and Frank C. Carlucci, a secretary of defense under Ronald Reagan. The former British prime minister, John Major, oversees Carlyle's European operations.

Jacques Garaialde, who left the Carlyle Group earlier this year to help Kohlberg Kravis develop its business in France, said the concern was at least partly understandable. "If you saw a French fund buying out an American company in a sensitive domain," he said, "what would the reaction be?"

Still, he said he did not think that the momentum of the buyout firms on the Continent would be stopped because there was still plenty of room for growth. As a percentage of the total economy, he said, deal volumes in Britain are at least 10 times those on the Continent and in the United States the difference is even greater.

"It's an education process," he said, "both in business and among politicians."

Roche Holding Talks To Purchase Igen (WPost)

By Michael Barbaro

The Washington Post, July 23, 2003

Roche Holdings Ltd., the world's largest diagnostics maker, is in talks to acquire Igen International Inc. of Gaithersburg in an effort to regain control of a lucrative blood-testing technology, people familiar with the negotiations said yesterday.

The proposed acquisition could cost Roche more than \$1 billion, analysts said, but it would win back its access to a line of Igen testing systems, used in scores of laboratories and blood banks, that earns Roche \$500 million a year.

Igen canceled its license agreement with Roche 14 days ago after the U.S. Court of Appeals for the 4th Circuit ruled that Roche had breached its contract to sell the tests, throwing Roche's diagnostics division into tumult and creating confusion among its clients over which company would service the testing systems.

"Roche does not want this technology to slip away," said Catherine J. Arnold, an analyst at Sanford C. Bernstein & Co. LLC in New York. "It has invested a ton into this relationship already."

Igen confirmed yesterday that it is negotiating a "potential transaction" with Roche but would not elaborate. A company statement cautioned investors "there can be no assurance that a transaction will be reached or on what terms."

Roche declined to comment on the nature of the talks. "Since the court decision, Roche and Igen have been meeting on a continuous basis in an effort to provide this technology to Roche's customers," Joel Reuter, a Roche spokesman, said.

People familiar with the negotiations said they are not limited to an acquisition. Roche and Igen may settle for a new license agreement, which would preserve Roche's commercial access to the tests and leave Igen an autonomous company.

The talks sent Igen's stock price up about 14 percent before trading was halted on the Nasdaq Stock Market. Igen stock rose \$4.70, to \$39.10.

Analysts said that even if Roche acquires Igen, it may inherit a handful of technologies, some complementary to its business, others not. Igen, founded in 1982, makes biological detection and measurement systems. The 370-employee company has developed what it calls the Origen system, a series of rapid test kits now used in food safety and homeland security testing.

"I would not put it past Roche to spin off what they don't want," Arnold said. "They are clearly not looking to get into homeland defense."

If completed, the acquisition would represent a striking turnaround in strategy for both companies, which have spent about six years – and millions of dollars – battling to wrest away control of the blood-testing technology from each other.

A federal jury last year found that Roche consistently underpaid license fees to Igen, awarding Igen \$505 million in damages. On July 9, the court reversed \$486.8 million of that award.

Roche has not yet appealed the ruling, and its window of opportunity is closing. Reuter said the company had only two weeks following the July 9 ruling to appeal.

John M. Putnam, managing director at Belmont Harbor Capital LLC in Chicago, said it is too early to predict just how much of the company Roche might buy, if it buys any at all.

"Igen's management would like to have something left over to apply this technology to," Putnam said. "But if the price is right, they will sell the whole thing." For Roche, buying Igen could accomplish two goals. In addition to regaining control over the testing technology in which it has already invested \$350 million, Roche would no longer need to pay royalties. Igen collected \$36.2 million in royalties from Roche in its fiscal year ended March 31, about 64 percent of its revenue for the year, according to filings with the Securities and Exchange Commission.

EU May Opt For Extended Probe Of Alcan Bid For Pechiney (Dow Jones)

By Benoit Faucon

Dow Jones Newswires, July 22, 2003

PARIS (Dow Jones)--The European Union may opt for an extended probe of Canadian aluminum company Alcan Inc.'s proposed takeover of French rival Pechiney SA as possible divestment solutions to concentration issues could provoke deeper market competition worries, analysts warn.

This scenario would represent a setback for Alcan, which is anxious to clinch its EUR3.4 billion takeover offer for Pechiney, launched July 7.

Alcan has said it hopes a probe by the E.U. Commission - which investigates all corporate takeovers of size involving Europe - would be a so-called phase 1, typically lasting four-to-six weeks. An extended review - known as phase 2 - would run closer to four months, possibly pushing Alcan's takeover plans into 2004.

It's a phase 2 that some analysts believe is almost inevitable given the small number of aluminum manufacturers.

In its informal bid, Alcan hoped to avoid a phase 2 probe by signaling to the E.C. that it would be prepared to part with its 50% interest in AluNorf, a Germany aluminum rolling mill. It also said that to facilitate a takeover, it would be prepared to sell the Neuf-Brisach mill in France, which is entirely owned by Pechiney.

Blanket refusal to dispose of the AluNorf stake three years ago, helped torpedo Alcan's effort to merge with Pechiney and Swiss company Alusuisse.

The company has also stated it's ready to divest assets in the cheese foil and spray can sectors, where the new entity could also raise competitive concerns.

But some analysts and fund managers warn that the E.C. may attach conditions on the sale of certain assets, upsetting Alcan's disposal plans.

AluNorf is a case in point. Norwegian industrial conglomerate Norsk Hydro has stated it's interested in acquiring the remaining 50% of the AluNorf mill it doesn't already own.

But, such a transaction would create a "duopolistic dominant position" in favor of both Norsk Hydro and a merged Alcan-Pechiney, not just the Norwegian company, wrote Sylvain Brunet, an analyst at Exane, in a recent report.

Brunet added it could be a reason for the E.C. to launch a phase 2 investigation.

Two years ago, the merger of steel producers Arcelor, Aceralia and Arbed prompted the European takeover regulator to launch of phase 2 investigation as it held concerns about the deterioration of competition, not just the dominance of one player.

One sector banker, not involved in the deal, and one fund manager, with a large stake in Pechiney, agreed that Norsk Hydro could be blocked, for antitrust reasons, from taking control of AluNorf.

The banker said that, in that case, Alcan would have to find another buyer, raising the prospect that Pittsburgh-based Alcoa (AA), the world's largest aluminum producer, might be wooed. In case no acceptable buyer is found, an outright sale of Neuf-Brisach could be a solution to E.C. concerns of rolling-mill concentration.

However, at the moment, few obvious buyers exist for Neuf-Brisach, the banker added.

A banker advising Alcan said it was premature to raise such issues, since Norsk Hydro hasn't formal bid for the other 50% of AluNorf. He declined to comment on possible talks on the matter.

Alcan itself couldn't immediately comment on those matters.

Earlier Tuesday, Alcan reported a 22% decline in income from continuing operations of 7 cents a share in the second quarter, mainly as a result of foreign currency translation costs.

Another area of competition concern is the aluminum auto-body sheet sector, warned Nick Collier, an analyst with CRU in London, warned in a report. An Alcan-Pechiney merger would see control of that business rise to about 70%-75% of the market in Europe, according to last year's figures, he wrote.

In that case, it's not the AluNorf plant that's concerned, but Alcan's Sierre and Nachterstedt rolling mills, which produce these products, he added.

Asked during a conference call if Alcan might have to divest some European mills that produce automotive body sheet, Alcan Chief Executive Travis Engen said: "I don't think that's true that we would."

But he added "mills produce many products so there may be some issues related to the totality of output from a particular mill."

He also said: "Details of this (issue) are subject to the views of antitrust authorities in the U.S. and Europe."

Pechiney's refusal to provide information on its operations is complicating Alcan's ability to present a formal, competition-friendly takeover proposal to the E.C., due late July. This may also offer an excuse for the E.C. to opt for the more intensive phase 2 investigation, the unnamed fund manager said.

But, Nick Hatch, an analyst with Investec in London, is more sanguine, believing Alcan's assurances on necessary divestments will ultimately soothe E.C. concerns and negate the need for a phase 2 review.

"Alcan has a big advantage. It's the bitter experience" of a previous, failed merger attempt with Pechiney, he said.

"At least, they know what concerns E.U. had about (that) merger", he said.

ENVIRONMENT:

Corps Held in Contempt Over Mo River Flap (AP)

By Libby Quaid

The Associated Press, July 22, 2003

A federal judge held the Army Corps of Engineers in contempt Tuesday for refusing to lower Missouri River water levels to protect endangered birds and fish.

U.S. District Judge Gladys Kessler ordered the corps and the secretary of the Army to comply by Friday or pay half a million dollars for each day her order is disobeyed. She said she may consider "more draconian contempt remedies" if flow is not cut by July 31.

Kessler ordered water levels dropped in a July 12 injunction she granted conservation groups that are suing to alter the Missouri's flow.

The corps has refused to comply, saying her order conflicts with an earlier Nebraska federal court ruling requiring enough water for barge shipping and power generation.

"We are still conflicted," said corps spokesman Paul Johnston. "The judge's ruling does not resolve the inherent conflict we have, with one court telling us to let water out and the other court telling us not to."

The groups want the Missouri to ebb and flow as it did before it was dammed and channeled decades ago to provide constant depths for barge shipping and other uses. The goal is to encourage spawning and nesting to help sturgeon and shorebird species on the government's threatened and endangered lists.

"The Missouri River's heartbeat, long flatlined by the corps, is about to get a brief and partial shock back to life," Chad Smith, spokesman for lead plaintiff American Rivers, said Tuesday.

Kessler's order was to cut the flow, beginning last week, on the lower Missouri River through Nebraska, Iowa, Kansas and Missouri.

She conceded Tuesday that "a conflict may exist" with the Nebraska federal court ruling, but she said a conflict does not excuse the agency from obeying her order. And she accused the government of dragging its feet in responding to the injunction.

Justice Department lawyers representing the corps sought emergency stays last week that were rejected by Kessler and the U.S. Circuit Court of Appeals for the District of Columbia.

"Moving to stay an order does not represent a good faith effort to comply with that order," Kessler wrote. "Rather, it represents an effort to postpone compliance with that order in the hope that it will be overturned on appeal."

More serious penalties could include higher fines or even jail time.

Justice Department lawyers defended the agency in court, and Justice spokesman Blain Rethmeier said, "We're reviewing the judge's decision and will evaluate our options now." Johnston, the corps spokesman, said he expected government lawyers would respond to the contempt citation in a "timely fashion."

The next option for the government would be to request a Supreme Court emergency stay from Chief Justice William H. Rehnquist, who handles emergency matters from that appeals court.

The reductions in Kessler's order would halt navigation on the Missouri, dropping depths at Kansas City, Mo., from about 14 feet to eight feet - too shallow for barges carrying grain and other cargo to the Mississippi River at St. Louis.

Barge and farming interests say the corps has an obligation to provide enough water for barge shipments.

The sport fishing industry and other upstream interests would benefit from low summer flows that would keep more water in upstream reservoirs in Montana and the Dakotas.

Debate has dragged on for more than a decade over the seasonal changes and whether they should become part of the corps' Master Water Control Manual for operating the Missouri River.

The corps has not revised the master manual since 1979, before the least tern, piping plover and pallid sturgeon were listed as threatened and endangered under the Endangered Species Act, one of the nation's most potent environmental laws.

When the agency announced last week it would refuse to comply with Kessler's order, it also announced new plans to complete master manual revisions by next year.

Judge Finds Corps In Contempt In Case Involving Missouri River (Knight Ridder)

By Bill Lambrecht

The St. Louis Post-Dispatch/Knight Ridder, July 23, 2003

WASHINGTON - (KRT) - A federal judge has declared the Army Corps of Engineers in contempt of court for refusing to lower water levels in the Missouri River to protect endangered species.

In her ruling Tuesday night, Judge Gladys Kessler of the U.S. District Court for the District of Columbia threatened a \$500,000-a-day fine if the corps and acting Army Secretary Les Brownlee refused to reduce the river's flow by Friday. She warned of even "more Draconian" measures unless the water levels drop by July 31.

In a memorandum accompanying her order, Kessler dismissed as nonsense the corps' assertion that it was making a good-faith effort to clear up the issue.

"The Corps' actions demonstrate the exact opposite," she wrote. "Moving to stay an order does not represent a good-faith effort to comply with that order. Rather, it represents an effort to postpone compliance with that order in the hope that it will be overturned on appeal."

The corps can set the river level by opening or closing gates on its dams. Kessler gave the corps until 9 a.m. EDT on Friday to start reducing the 25,000 cubic-feet-a-second flow of water from Gavins Point Dam, S.D., to the lower stretch of river, which runs through Missouri before meeting the Mississippi above St. Louis.

Less water - down to 21,000 cubic feet a second - was recommended by the U.S. Fish and Wildlife Service three years ago to avoid washing away the nests and chicks of two federally protected birds, the endangered piping plover and the threatened least tern, and also to help the endangered pallid sturgeon. The lesser flow would be maintained until Aug. 15.

"This is one angry judge," remarked David Hayes, who heads the legal team that won Kessler's injunction on behalf of American Rivers, Environmental Defense and a coalition of advocacy groups.

Hayes said the judge appeared to be threatening jail time for corps officials by referring to more draconian measures.

"This is more than a shot across the bow, this is a broadside hit with a remarkable fine. I assume the corps will now comply," said Hayes, once an official in the Interior Department.

Corps spokesman Paul Johnston said that Army and Justice Department officials would be looking closely at the judge's order. But he said the corps still faced contradictory injunctions.

He was referring to another injunction this year from a federal judge in Nebraska, who instructed the corps to maintain water levels high enough for barge traffic. The 8th U.S. Circuit Court of Appeals in St. Louis later upheld that injunction, which did not deal with the question of endangered species.

Johnston said: "I guess our reaction is that we're still in the same quandary we were in before of having conflicting orders. Despite what the reasons may be, we still have an order to let the water out and other order to leave it in."

The separate rulings invite further court action to determine whether the Endangered Species Act of 1973 might trump the Flood Control Act of 1944. The earlier law authorized dam- building along the Missouri and ordered that the river be operated for navigation.

The corps warned towboat operators and marinas on Sunday that water levels could be dropping as a result of court action. If the water is lowered, traffic on the lower river would all but shut down because few towboats would hazard the risk to barges.

Looking For Common Sense (Council Bluffs Nonpareil)

Editorial

The Council Bluffs (IA) Nonpareil, July 22, 2003

Our Position: lowans have much to lose with lower river flows.

The federal government on Sunday asked a Nebraska federal court to modify an order requiring higher Missouri River water levels that conflicts with a July 12 court ruling in favor of lower flows. The Justice Department asked the Nebraska court to alter its ruling to comply with the new order for low flows.

In the wake of the request to the Nebraska federal court, the U.S. Army Corps of Engineers - now facing a contempt charge stemming from the conflicting court rulings - ordered barge shippers and other river users to secure vessels for lower flows.

Pending a ruling on Sunday's request, "it is anticipated that the ... flows will not be sufficient to maintain commercial navigation from Sioux City, Iowa, to St. Louis, Mo.," the corps said in a news release issued Sunday.

It doesn't take a rocket scientist to come to the conclusion that's not good news for Iowa or lowans.

The legal maneuvering came hours before a contempt hearing against the Army Corps of Engineers set for Monday morning in U.S. District Court in the District of Columbia.

U.S. District Judge Gladys Kessler in Washington scheduled the contempt hearing for the corps to explain why it is refusing to obey an injunction she granted ordering low flows on the Missouri.

Conservation groups are suing the corps under the Endangered Species Act, saying the river must be restored to a more seasonal ebb and flow, mimicking natural river conditions before dams and channels were built. That, the groups contend, would encourage fish spawning and bird nesting by threatened and endangered species. Kessler granted an injunction July 12 sought by the conservation groups.

Last week, the corps refused to comply, saying that cutting flows would violate an earlier ruling by the U.S. District Court for the District of Nebraska that the Missouri must have enough water for barges to navigate and power plants to operate. The corps' refusal led Kessler to schedule the contempt of court hearing for Monday morning.

On Friday, an appeals court rebuffed a government effort to stay Kessler's order on an emergency basis, although the government's appeal is still pending. The U.S. Court of Appeals for the District of Columbia denied the government's request for an emergency stay pending appeal of Kessler's ruling.

Kessler acknowledged in her order granting the injunction that barge companies will lose revenues, water quality may suffer and consumers may pay more for power this summer along the Missouri River. But she said that injury to wildlife - the least tern, piping plover and pallid sturgeon - will be irreparable without curtailing the Missouri's flow.

While we find most conservation efforts laudable, we can't help asking ourselves, where's the common sense in Kessler's ruling?

Babbitt Faults Norton Policies (Sacramento Bee)

By Stuart Leavenworth

The Sacramento Bee, July 22, 2003

For the first time since leaving office, former Interior Secretary Bruce Babbitt is gingerly criticizing his successor, Gale Norton, for limiting protections on millions of acres of public lands across the West.

In an interview with The Bee on Monday, Babbitt faulted Norton for halting studies of potential wilderness on lands administered by the federal Bureau of Land Management, a decision that could affect the Headwaters Forest and several other BLM properties in California.

"It is an unfortunate decision," said Babbitt. The new policy, he said, undercuts efforts to protect and showcase "a fabulous inventory of public lands that have never gotten the attention they deserve."

Bush administration officials say they are merely following the law by leaving it to Congress to designate new wilderness. The Interior Department will continue to protect sensitive lands, said spokesman Mark Pfeifle, even if it doesn't designate new lands as "wilderness study areas."

But without such reviews, Babbitt and others say, the federal government will be restricted in managing new national monuments and protecting public lands from unsuitable oil drilling, mining and grazing.

"It is not a particularly optimistic time," said Babbitt, a former Arizona governor who headed Interior during the Clinton administration. "Hopefully we will see some renewal of the environmental movement, but it has to come from the grass roots. It will not come from the top."

Although he was somewhat guarded in his comments, Babbitt's criticisms are his first of Norton's policies since he left office and returned to consulting and legal work.

During those three years, Norton and the new administration have reversed many of Babbitt's policies and generally pushed for more resource extraction on public lands. All that time, Babbitt has followed established decorum and declined to comment publicly on his successor's policies.

In recent months, however, Babbitt says he's becoming increasingly concerned over the fate of the National Landscape Conservation System, an initiative he launched to inventory and protect components of the Bureau of Land Management.

Across the West, BLM manages 262 million acres of public land, including the King Range on the North Coast and giant trees outside of Sequoia National Park. Despite those assets, BLM has tended to be a forgotten stepchild in Interior, said Babbitt. "It was always thought of as the Bureau of Livestock and Mining," he said.

In April, Norton quietly settled a lawsuit with Republican Gov. Mike Leavitt of Utah that fueled some of Babbitt's concerns.

The settlement reversed a Clinton-era policy that provided interim wilderness status to 2.6 million acres of BLM land in Utah. It also prohibited Interior from establishing any new wilderness study areas -- which effectively treat land like wilderness, meaning no mining, dams, roads or mechanized recreation.

Kit Kimball, director of external affairs for Interior, said the previous administration was effectively managing areas as wilderness without congressional approval. "We don't have the authority to do that," she said.

Interior officials also say that, contrary to what some have claimed, the Bush administration's policy doesn't prevent BLM from studying areas for wilderness or even recommending that Congress consider them for protection.

"We will continue to manage those areas, and if redwoods need protection, we will go ahead and do so," said Kimball.

California officials say those words are a smokescreen. Resources Secretary Mary Nichols said the policy prevents permanent protections for any BLM lands not designated "wilderness study areas" by Congress prior to 1993.

This includes parts of the ancient Humboldt County redwoods in the Headwaters Forest, purchased in 1999 with \$480 million in federal funds. She said the policy marks "a significant departure" from policies of every president since Jimmy Carter.

Asked about the scope of Norton's policies, Babbitt demurred and declined to be lured into a debate.

He said there are still opportunities to protect BLM lands through plans the agency is formulating for new national monuments. He also noted that Congress has already approved 17 million acres of land as wilderness study areas that are untouched by the new policy, although many of those areas are outside of California.

"There are splendid areas that cry out for protection, in Hawaii, Oregon, Idaho, the Vermillion basin in Colorado," said Babbitt. "I think it's time to set goals for expansion and completion of the system."

Developer Loses Endangered Toad Case (AP)

The Associated Press, July 22, 2003

WASHINGTON (AP) - A federal appeals court on Tuesday rejected a California developer's request that the full court consider a plan to build 280 homes on some of the last remaining habitat of the arroyo southwestern toad.

But one of the circuit judges strongly dissented, saying harm to the toads from commercial activity doesn't mean it should be regulated under interstate commerce provisions.

A three-judge panel of the U.S. Court of Appeals for the District of Columbia Circuit had rejected the building plan because it would endanger the toads. The panel affirmed a lower court decision that development firm Rancho Viejo must follow a U.S. Fish and Wildlife Service order to let the toads move freely on a San Diego County construction site.

The wildlife agency had issued a biological opinion three months after the project began in May 2000 that said construction probably would jeopardize the toads' existence.

Rancho Viejo's suit challenging the agency's use of the Endangered Species Act under interstate commerce provisions was dismissed by the U.S. District Court for the District of Columbia.

FBI/DEA/ATF:

FBI Men Allege Retaliation for Testimony (AP)

By Curt Anderson

The Associated Press, July 22, 2003

WASHINGTON (AP) - Two FBI agents who detailed problems in their agency to Congress say they were targeted for retaliation because of their testimony, two senators said Tuesday.

Agents Patrick Kiernan and Frank Perry have filed complaints with the Justice Department inspector general, Glenn A. Fine. Kiernan contends he was passed over for promotions and transfers; Perry claims he was subjected to unspecified retaliatory comments from senior FBI officials.

Both men testified about FBI problems during a Senate Judiciary Committee confirmation hearing for FBI Director Robert Mueller in July 2001. A third agent who testified, John Roberts, already had claimed retaliation.

Sens. Charles Grassley, R-Iowa, and Patrick Leahy, D-Vt., said in a letter to Mueller that the agents had similar experiences despite working in separate offices, indicating that FBI retaliation continues against those who "seek and tell the truth."

"When they should be applauded, they have been chastised and even vilified," the senators wrote in the letter dated July 10 and released Tuesday.

FBI officials declined to comment on the retaliation claims.

Mueller is scheduled to appear Wednesday before the Judiciary Committee, which is expected to query him on the subject.

Perry and Roberts were involved in investigations of FBI misconduct during the 1992 standoff with white separatist Randall Weaver at Ruby Ridge, Idaho. Weaver's wife and son were killed by an FBI sniper. In 1995 the government paid Weaver and his three surviving children \$3.1 million in compensation.

Perry also was behind a 1999 report detailing a separate disciplinary system for senior executives and rank-and-file agents. Kiernan was a key author of that report and also served in a special investigation of FBI actions during the 1993 confrontation with the Branch Davidian cult in Waco, Texas, that resulted in nearly 80 deaths.

Mueller recently announced the transfer of Robert Jordan, who had been chief of the FBI internal discipline unit, to head up of the FBI field office in Portland, Ore. Jordan had earlier been rebuked by Mueller by actions he took against Roberts, who had also detailed FBI problems on CBS' "60 Minutes" program.

Release of the letter comes as Leahy and Grassley introduced legislation Tuesday that would strengthen whistle-blower protections at the FBI, require periodic lie detector tests for counterintelligence employees and contractors and equalize disciplinary rules for executives and rank-and-file employees.

The FBI's Least Wanted (LATimes)

The high cost of living is driving agents from some of the largest, most important cities. A few who stayed have gone on food stamps.

By Greg Krikorian

The Los Angeles Times, July 23, 2003

Five years ago, Bob Hoelscher stepped up to a microphone at the FBI Academy in Quantico, Va., and, in a time-honored graduation ritual, opened an envelope with a slip of paper that identified his first assignment.

San Francisco, it read.

An attorney with a wife and infant son, Hoelscher had heard stories about the cost of living in the Bay Area. "But how bad can it be?" he thought.

After driving cross-country, he found out.

With a starting salary of \$50,000, Hoelscher, then 33, was priced out of housing anywhere near his new job. After months of searching, he found a \$250,000 house in Fairfield - 58 miles from San Francisco. His commute takes 75 minutes each way, if the weather is good.

"I actually live in the Sacramento division," Hoelscher said. "There are tons of us who do the same thing each day."

While the FBI plays a lead role in the war on terrorism, many agents say they are waging a private battle against financial hardship. An outdated pay structure has left many agents struggling to make ends meet, especially in high-cost cities such as San Francisco, Los Angeles and New York.

Some agents endure lengthy commutes. Others have gone deep into debt. A few have gone on food stamps or moved into government housing.

FBI veterans say the impact on the bureau's crime-fighting prowess is subtle, but unmistakable. Scores of younger agents are resigning for better-paying jobs in the private sector. Experienced agents want out of big cities. Top-level vacancies in specialties ranging from white-collar crime to counterterrorism go begging for applicants.

The financial squeeze, agents say, is greatest in the very urban centers where the need for top investigative talent is most urgent.

"It is the elephant in the living room that no one wants to talk about," said Nancy Savage, a Portland, Ore., agent who is president of the FBI Agents Assn. "It is killing us in terms of getting people to want to work and stay in these high-cost cities. And these are critical places for us to work."

A House subcommittee will hold a hearing today on legislation to boost salaries for thousands of federal law enforcement personnel working in the nation's most expensive cities for the FBI, the Drug Enforcement Administration and other agencies.

"It's a major issue, not only in terms of quality of life and morale for the agents, but in terms of recruiting and keeping the most competent agents in these big cities," said former FBI Director Louis J. Freeh.

In San Francisco, which has the nation's highest housing prices, FBI officials estimate that 9% of the agents resign each year, compared with 2% for the bureau as a whole. A recent study found that of 313 agents hired in San Francisco from 1995 through 2002, 41% transferred to other cities.

A decade ago, there were 17 applicants for a coveted assignment as an assistant special-agent-in-charge in the FBI's San Francisco division, recalled Mark Mershon, who won that competition and now runs the office.

It was a different story this year when two jobs at the same rank became vacant in San Francisco. Because of FBI rules on promotions, most applicants for such positions are bureau veterans from other parts of the country. The cost of living in the Bay Area frightened them off.

"I had no takers. Zero," said Mershon, a 28-year FBI veteran. "Nobody raised their hands."

Mershon eventually filled the jobs with two top candidates from out of state, but only after FBI headquarters bent the rules and offered each of the appointees a relocation bonus equal to 15% of their base salaries.

"It's shocking," said Dave Miller, head of the FBI's counterterrorism program in San Francisco. "If the American dream is to own a home with a small backyard, it's ironic that many FBI agents who are sworn to defend and protect this country have trouble buying into that dream."

That trouble is greatest in places such as Los Angeles, where a new FBI agent earns a base salary of \$39,204. A "locality" adjustment for living costs, coupled with 10 hours per week of mandatory overtime, bring the salary up to \$56,843.

With the median home price in Los Angeles County at \$313,000, the average new agent is priced out of the local market and must spend three hours a day commuting to and from work, according to the FBI Agents Assn.

Over time, agents become more comfortable financially. In Los Angeles, they can earn \$84,000 after five years. The struggle is in the early years, and it is especially acute in the FBI because most new agents are on their second careers, and they have or are starting families.

Reality Check

In Portland, one new agent was stunned to learn two years ago that he and his family qualified for food stamps.

"We moved from Ohio ... and were having to go to our credit card for food and gas and everyday expenses where you don't normally use a credit card," said the agent, who spoke on the condition that he not be identified.

"Out of curiosity," he said, his wife contacted the state of Oregon and learned that his FBI salary of \$50,000, coupled with his previous salary in Ohio, which was lower, made the family of five eligible for food stamps.

"It was a reality check," the agent said.

After six months of government assistance, state officials reevaluated the family's eligibility. A full year's FBI salary put them above the limit, the agent said - by about \$2,000.

Another FBI agent took a 20% pay cut when he left the engineering profession to join the bureau in April 2000. He was assigned to San Jose.

The agent and his wife, who had an infant daughter, no debt and \$5,000 in savings, found that apartments in safe neighborhoods went for a minimum of \$1,500 a month. Taking home \$2,900 a month, he said, he went through the family's savings his first year on the job.

"I was determined that I wasn't going to go into debt," said the agent, who is 32. "We weren't doing anything. We didn't go out to eat. We didn't go to movies. We were only surviving because of the savings."

He was about to give up and resign. Then he and seven other agents won a lottery for apartments at Moffett Federal Airfield, a former Naval air base in Mountain View. The family moved in just before the birth of their second daughter - on Sept. 11, 2001.

They viewed the two-bedroom, one-bathroom apartment as a stopgap, but they are still there.

"We can't stay. It's not big enough," the agent said. "But we still can't buy a house."

In the late 1980s, the high cost of living in New York City caused a staffing crisis in that FBI division. Though it employed about 10% of the FBI's agents, the office was widely seen as the worst FBI assignment in the country because of living costs.

"They were losing several agents a week," recalled Savage, of the FBI Agents Assn. "It was just insane."

To stem the resignations, the FBI raised salaries and provided \$20,000 bonuses for New York agents, she said. The bureau also adopted a "locality pay" formula to provide adjustments to the pay scale, depending on where in the country agents were assigned.

The formula has not been revised since then. Agents complain that it does not reflect the cost of living in a dozen particularly expensive cities. Pay adjustments are based solely on the wage level in a particular city or region. Agents complain that they do not take into account housing prices, transportation costs and other financial factors.

The system has bizarre consequences, agents say.

FBI personnel in Houston, for example, are the envy of their colleagues because private sector salaries are high, the state has no income tax and housing is affordable.

"They are middle-class in those places," said Hoelscher, the San Francisco agent, "while we're struggling to get by."

Some leave the bureau rather than struggle, and they include agents with valuable skills. In the last three years, the FBI has lost at least 14 agents and supervisors in five cities who investigated computer crimes, said Ken McGuire, a supervisory agent in Los Angeles who works in that specialty.

"That is not a hard number," McGuire said. "That is just the ones I know about."

Three years ago, a San Francisco agent poured out his frustrations in a letter to Freeh, then FBI director.

An ex-Marine, the agent said that in his tours of military duty and his assignments with the FBI, he had "willingly accepted sacrifice as a way of life."

"These sacrifices were made in the pursuit of a higher calling," he wrote. "However, we should not have to sacrifice the security and needs of ourselves and our families."

The agent, who asked not to be identified because he works undercover, later left the FBI for another federal agency that allowed him to relocate and earn a higher salary.

Long Commutes

For many new agents, affordable housing comes with a commute that can add two, three, even four hours to the required minimum 10-hour workday.

In New York City, many agents travel from as far Allentown, Pa., 90 miles away. In Los Angeles, they drive to the FBI office in Westwood from as far away as Lancaster and Riverside.

Beyond keeping agents on the road for hours, financial pressures limit career options and make it harder for FBI management to fill important jobs.

"People are more hesitant today to raise their hands and go to the high-cost areas," said Frank Scafidi, a veteran supervisor in Sacramento. "We have people here who could run major cases in other cities.... But they have elected to stay in an environment that is more beneficial for their families."

The FBI cannot afford the flight of talent from its big-city offices, said retired Los Angeles agent Larry Langberg.

"That is where the best work ... and the biggest threats are," said Langberg, who headed the FBI Agents Assn. for seven of his 30 years with the bureau.

"Los Angeles shags some very good people, but it probably doesn't pick from as wide a group as it could because of the cost of living. And it is unfair to agents, and it is unfair to the American public in this era of terrorism, not to have the most talented and motivated people competing for those jobs."

Hoelscher, a native of southern Illinois, still has not adjusted to the high cost of living in San Francisco.

"My wife says, 'Why don't we move back home? You can go back to being a lawyer.' But I love my job, and pride makes you go on, I guess.

"But it's tough," he said. "We're always one financial disaster away from me having to resign."

Reputed Miami Drug Kingpin Gets 20 Years (AP)

The Associated Press, July 22, 2003

MIAMI (AP) - A reputed drug kingpin from Florida's "Miami Vice" era was sentenced Tuesday to 20 years in prison for money laundering.

Willy Falcon also paid the federal government \$1 million, as agreed to in a plea bargain.

Falcon and partner Sal Magluta were said by prosecutors to have made \$2 billion from cocaine smuggling while turning Miami into the drug capital of America in the 1980s. They were known in Colombian drug circles as "The Boys."

Falcon, 47, pleaded guilty in June to laundering drug profits.

Falcon and Magluta were under investigation for 14 years and were cleared of drug charges in 1996 with help from two bribed jurors. Magluta later received a life sentence for jury bribery, while being cleared of charges that he ordered hits on three witnesses, including a lawyer.

Falcon's \$1 million payment had a hitch: The payment was \$400 short and included more than \$200 in counterfeit bills. One of Falcon's lawyers made up the shortfall with a money order.

Fresno Chamber Chief Arrested On Drug Charge (LATimes)

Stebbins Dean was at a conference in Florida when he allegedly tried to buy crack cocaine.

By Mark Arax

The Los Angeles Times, July 23, 2003

FRESNO - As chamber of commerce executives go, Stebbins Dean hasn't had an easy job.

For more than a decade, he has tried to burnish this city's lackluster image, proclaiming its oft-hidden virtues to doubting CEOs around the state and country.

Each headline seemed to add insult to his cause: Fresno - the arson capital of the West. Fresno - the nation's No. 2 city for auto theft. Fresno - America's worst smog.

On Tuesday, the city's fervent huckster became the subject of his own tarnished headline. While on a trip to Naples, Fla., last weekend to share ideas with a national gathering of chamber of commerce heads, Dean was arrested and charged with trying to buy crack cocaine from an undercover police officer.

Local business leaders now say the city's image builder, the man who helped launch the slogan "Fresno: Smile When You Say That!," has so badly stained his own image that he must step down for the greater good. After the recent foibles of a local state assemblyman - who told Fresno police that he was roaming the red light district at night because he got lost on his way to the farm bureau - this city seems braced for a whole new round of jokes at its expense.

"There are some mistakes where you can pick up the pieces and move on without too much damage," said Larry Willey, a past chairman of the chamber of commerce board who owns a tile company here. "This may be one of those crooked things that you can't make straight."

The arrest report paints a portrait at odds with the middle-aged and balding Dean, a man regarded by his peers as a "very steady Eddie." Naples police say they encountered Dean loitering in a drug-infested neighborhood four miles north of the Ritz-Carlton Hotel, the site of the Chamber Executives Leadership Forum.

When an undercover detective asked the 50-year-old Dean what he wanted, the chamber head allegedly said he was looking to buy some "80" - street slang for \$80 worth of crack cocaine. After buying three pieces of crack that turned out to be fake, Dean was arrested and charged with a felony.

Dean, who is on administrative leave from his job, says it was all a misunderstanding. His words sounded garbled to the undercover officer. He said he told the officer he needed a "cab" and not "crack." He said he has never used illegal drugs and wasn't trying to make a purchase last Saturday night.

"People that know me know that I don't do drugs," Dean told the Fresno Bee. "I can't believe this. I'm totally emotionally upset."

But court records show that only last November Dean was arrested in Fresno and charged with two counts of drunk driving and one count of possessing a drug pipe. After pleading no contest to one DUI count, he was placed on probation for three years.

Local business leaders say the bad publicity over this new arrest only moves the city further away from its mission to cut into a jobless rate that hovers between 12% and 15%, depending on the season.

"For a long time, our quality of leadership in Fresno has left something to be desired," said Gary Janzen, an advertising company executive. "This arrest only underscores how serious a leadership problem we have."

"There are a lot of progressive things going on here to deal with unemployment and other problems. But they tend not to get heard when our leaders keep messing up."

Larry Johanson, the current chairman of the chamber board, said he believes the fallout from Dean's arrest won't be long-lived. "The chamber doesn't center around one person. The chamber is 1,900 businesses and 24 board members and 16 committees that are working on a multitude of important projects," he said.

"Stebbins has done a lot of good work but we go on. Nothing about that larger mission is going to change."

Dean became the chief executive of the Fresno Chamber in 1991, after serving in the same post in Oceanside. He has been a strong advocate for Fresno, sometimes even giving a tongue-lashing to out-of-town newspaper reporters whose stories have portrayed Fresno in a less-than-flattering light.

More than 100 chamber heads from across the country were gathered at the national conference in Naples, which began on Sunday and ended Tuesday. According to police, Dean was booked into Collier County Jail about 11 p.m. Saturday. He posted a \$2,500 bond and was released early Sunday morning.

Police said that after Dean approached an undercover officer looking for some "80," the chamber chief pulled out his wallet and flashed cash. The officer then showed Dean three pieces of fake crack cocaine, and the two began to haggle over a price. Police said Dean paid \$42 and then he took the fake drugs and walked away. As backup officers arrived to arrest him, police said, Dean threw the fake drugs into a pile of garbage. The pieces were never found.

Dean told the Bee that he simply was walking in downtown Naples when he headed north and got lost in a shabby neighborhood. "I had no idea where I was," he said. "I was just looking for a way home."

Expert Panel Finds Flaws In Diet Pill Safety Study (NYTimes)

By CHRISTOPHER DREW and FORD FESSENDEN

The New York Times, July 23, 2003

As a growing number of deaths and illnesses have raised questions about their diet pills, some ephedra companies have promoted a medical study as showing that their product is safe and helpful for losing weight.

But documents released yesterday by a House subcommittee show that a panel of scientists has found flaws and shortcomings in the study. Some government officials said those problems could undercut its safety findings at a time when federal regulators are trying to decide if they should ban ephedra, an herbal stimulant, or restrict its sales.

For several years, the industry had refused to give the regulators all the data from the study, which was conducted at medical centers in New York and Boston in the late 1990's. But last February, the Food and Drug Administration made an unusual deal to gain access to the data, officials say.

The agency had to make the deal, the officials say, because it was in a bind. While drug companies are required to prove the safety of their products and must turn over safety data and consumer complaints to the F.D.A., the agency, under a 1994 law, has no such authority over the makers of dietary supplements like ephedra.

The notion that a federal regulatory agency had to make a deal to investigate a health threat also goes a long way, critics say, to explaining how the ephedra companies have been able to keep the government at bay through nearly a decade of complaints about their products. And while the companies are now removing the ephedra from many of their diet pills, these critics say they remain concerned because so little is known about the other herbal ingredients being used as substitutes.

Under the deal, administration officials said, the F.D.A. agreed to hire outside experts to help review the data. It also allowed the industry to veto several of the possible choices before agency officials picked the scientists who did the critiques.

Top agency officials said they agreed to the deal to counter industry concerns that the agency's scientists were biased against ephedra. Representative James C. Greenwood, a Republican from Pennsylvania and the chairman of the House subcommittee that will hold a hearing on ephedra today, said the deal made sense because the outside experts ended up showing that the study was "seriously flawed."

Mr. Greenwood said this also could mark a breakthrough in the agency's effort to regulate ephedra. "This is the study that was being held up by the industry as the gold standard," he said. "And now the evidence shows that it was anything but that."

Documents released by Mr. Greenwood's subcommittee show that the three scientists hired to review the data all ended up criticizing the study. One of the agency's experts noted that through a mix-up, some of the participants who were supposed to receive placebos were given a mixture of ephedra and caffeine similar to what is in most of the diet pills, thus making the study "impossible to rely on."

Another F.D.A. expert, Dr. Norman Kaplan, a hypertension specialist at the University of Texas Southwestern Medical Center at Dallas, said that with only 87 participants completing the six-month study, the group was too small to assess safety. He also said the researchers had played down increases in heart rates and blood pressure among study participants that could translate into a 20 percent to 40 percent increase in strokes and heart attacks among ephedra users.

In addition, the reviewers said the study would be a poor predictor of what might happen to the general public. Two reviewers noted that the study enrolled only people in near-perfect health, using a series of rigorous tests to eliminate 11 percent of the volunteers before the trial began.

Metabolife International, the largest maker of the ephedra diet pills, sponsored the study with other companies, and referred all questions about it to the researchers who conducted it. In a statement, Metabolife said its products were "safe and effective" when used as directed.

The chief researcher, Carol N. Boozer, a nutrition scientist at St. Luke's-Roosevelt Hospital Center in New York, did not respond to calls for comment yesterday. But in an interview last week, she said the six-month study represented the best science on the subject because it was the most extensive clinical trial ever done. She also said she believed the mix-up in the drugs involved relatively few participants and would not have affected the results.

Still, she acknowledged that the study had not proven that ephedra was safe for everyone, but only that healthy people seem to be able to safely lose weight if they do not exceed the recommended dosages.

"A lot of people would like me to say it's safe, and I'm not going to do that," she said in the interview. "I'm very careful what I say."

Industry lobbyists and some of their supporters in Congress have frequently cited the study in urging the drug agency to hold off on taking any action against ephedra.

Current and former agency officials said the ephedra companies have also been able to use the 1994 law as a shield to avoid regulation, particularly in beating back two efforts by the Clinton administration to restrict ephedra sales.

Given the age-old uses of many natural remedies, the law allows vitamins, health foods and herbal products to be sold, like foods, without prior safety testing, and does not require the companies to report consumer complaints or other safety data to the F.D.A. Instead, the law places the burden on the agency to prove that a dietary supplement is dangerous before it can take the product off the market.

Critics say that while most of the nutritional supplements appear to be safe, the law has placed the drug agency in a difficult legal hole when it comes to regulating powerful stimulants like ephedra, which acts like amphetamine in speeding up the body's metabolism and has been linked to heart attacks and strokes.

David A. Kessler, who was F.D.A. commissioner from 1990 to 1996 and who opposed the 1994 law, said it "tied the agency's hands" on substances like ephedra that, he said, are really drugs "masquerading as nutritional supplements."

"The problem is that the supplement industry doesn't have to report adverse events, so the F.D.A. doesn't have the data," Dr. Kessler said. "How do you prove something is unsafe if you don't have the data? It's the ultimate Catch-22. It's also a colossal failure of protecting the public health."

But Senator Orrin G. Hatch, the Utah Republican who is a chief sponsor of the 1994 law, responded, "It is extremely hard to take action if you never try." He said the agency had folded too quickly in its previous attempts to regulate ephedra. If it had gone further and actually imposed restrictions, he said, then the issue of whether the law works - "as I believe it can" - could have been settled in the courts.

Still, the political climate has changed since a Baltimore Orioles pitcher, Steve Bechler, 23, died on Feb. 17. The local medical examiner linked his death to weight-loss tablets with ephedra.

Two weeks after Mr. Bechler's death, Tommy G. Thompson, the secretary of health and human services, and Mark B. McClellan, the F.D.A. commissioner, proposed tough new labels to warn consumers about the dangers of ephedra, and the F.D.A. ordered a number of companies to stop advertising ephedra as a way to build muscles or enhance athletic performance, saying there was no scientific evidence for the claim.

Dr. McClellan added that once the agency finishes evaluating scientific data, probably later this summer, "we will take action." Whether that is likely to mean a ban on sales or new restrictions on the labels and marketing, is unclear.

F.D.A. officials said that at one point in mid-1990's, the industry seemed willing to compromise over ephedra and substantially lower the recommended dosages in the weight-loss pills. But when the agency proposed a rule in 1997 with still-lower dosage limits, the industry derided it as unscientific and criticized the agency for relying too much on anecdotes about deaths and illnesses.

The General Accounting Office, the investigative arm of Congress, later agreed with some of that criticism, which forced the drug agency to withdraw the proposal. A second agency effort to crack down also fizzled in late 2000.

At that time, agency officials said, they were also trying to gain access Dr. Boozer's study, which was similar in structure to the clinical trials used to test pharmaceutical drugs. But it involved far fewer people than most drug studies do.

Dr. Boozer said in the interview that she was reluctant to give any data to the F.D.A. before her article summarizing the study's results was published last year. Afterward, she said she was still hesitant because she did not trust the agency to analyze it in a "responsible way."

One drug agency reviewer, Dr. Richard Atkinson, editor of the International Journal of Obesity, which had published Dr. Boozer's article about the study, wrote to the F.D.A. that the study was "severely compromised" by the mix-up involving placebos and ephedra pills, which was discovered after the study was completed.

Dr. Boozer said she tested 326 leftover bottles, finding 5 incorrectly labeled. But Dr. Atkinson said the study should be redone because she was unable to account for the contents of about 1,200 other bottles.

GAO Links Ephedra With Serious Side Effects (WPost)

By Guy Gugliotta

The Washington Post, July 23, 2003

Congressional investigators have linked ephedra supplements made by San Diego-based Metabolife International to a disproportionate number of serious side effects among consumers younger than 30.

In testimony prepared for a House hearing today on the popular herbal stimulant, Marcia Crosse, the General Accounting Office's acting director for public health and science issues, said the GAO's analysis showed that 44 percent of the "serious adverse events" reported to Metabolife between 1997 and 2002 involved younger consumers. The GAO is Congress's investigative arm.

Crosse acknowledged that the reports contained "limited information," but the pattern of side effects -- ranging from insomnia to seizures, stroke and death -- was consistent with reports gathered by the Food and Drug Administration about ephedra products sold by many different companies.

Metabolife spokeswoman Jan Strode stressed the sketchiness of the reports, noting that the GAO's analyses of ephedra "clearly state that the GAO could not establish any causal connection between adverse events and Metabolife 356." Metabolife is the biggest ephedra marketer in the country, and Metabolife 356 is its leading product.

The House subcommittee on oversight and investigations summoned Crosse to testify during two days of hearings on ephedra, which is used as a weight-loss aid and workout enhancer. The Washington Post obtained a copy of the Crosse testimony.

Also expected to testify at today's hearing are the parents of former Baltimore Orioles pitcher Steve Bechler, 23, who collapsed and died of heatstroke during spring training.

Bechler's locker contained an ephedra supplement not made by Metabolife, and toxicology reports confirmed a significant amount of ephedra in the pitcher's system.

House Takes Aim At Ephedra (Copley)

By Toby Eckert

The San Diego Union-Tribune/Copley News Service, July 22, 2003

WASHINGTON - Members of a House panel are expected to sharply question studies that tout the safety of the herbal stimulant ephedra as they open hearings Wednesday into the dietary supplement, made by companies including San Diego-based Metabolife International.

Three experts who reviewed one study widely cited by the ephedra industry found shortcomings in the study and said, "The product should only be used with the monitoring of a learned intermediary," according to a memo released by the House Energy and Commerce Committee.

The memo to Food and Drug Administration Commissioner Mark B. McClellan concerned a review of a six-month study funded by the ephedra industry. The FDA is weighing stricter regulation of ephedra products.

"All three reviews are consistent in their conclusions that the study was basically conducted well but it is not sufficient to address the safety of these products as they are used in the marketplace by the population at large," Charles W. Prettyman of the FDA's Center for Food Safety and Applied Nutrition wrote in a July 16 memo. "One reviewer was also concerned over the validity of the results due to labeling mix-up between active and placebo" doses.

A May 14 memo from Prettyman said, "The product seems to offer some short-term weight loss." But the formulation used in the study "may or may not represent what is being marketed" and "controls, subject selection, exclusion criteria, and monitoring do not represent real world use conditions," he wrote.

Committee spokesman Ken Johnson said: "The industry has touted this study as its Good Housekeeping Seal of Approval. But based on the evidence we have seen, it does not adequately address the safety of ephedra-based dietary products."

A spokesman for the Ephedra Education Council, an industry group, could not be reached for comment. But the industry has consistently said that its products are safe and effective if used as directed.

More than a dozen witnesses, including Metabolife executives and the parents of two athletes whose deaths were linked to ephedra products made by other companies, are expected to testify before the House committee's oversight and investigations subcommittee. Committee Chairman Billy Tauzin, R-La., and subcommittee Chairman James C. Greenwood, R-Pa., have raised safety concerns about ephedra, which is largely unregulated.

Documents released by the committee this week indicate that ephedra-free products have played a larger role in Metabolife's marketing strategy as controversy and legal problems surrounding ephedra mount.

A weekly sales report to then-Chief Executive Officer David Brown in August 2002 discussed whether to introduce an ephedra-free product sooner than planned. The memo was prepared amid falling sales, following disclosures that the Justice Department was investigating whether company founder Michael Ellis had lied to the FDA regarding consumer complaints about Metabolife 356, its ephedra-containing flagship product.

The memo concluded that an early introduction of the ephedra-free product might lead retailers to conclude Metabolife was in serious trouble and start removing the company's ephedra supplements from store shelves.

"Accounts believe if 356 gets pulled it will bankrupt the company and they want to protect themselves and not get caught holding inventory that we cannot reimburse them for," Eric Larsen, vice president for sales and marketing, wrote. "The other issue is we don't know how much we could be scaring the consumer by having it changed out so quickly."

A June 12 memo to Brown from business consultants concludes that "Ephedra is done in the perception of the consumer (and ultimately will be killed by legal and insurance costs) and that all efforts should be to develop a scenario that is Ephedra-free and develops a better product and formula with "all the good and none of the bad."

Johnson said: "Publicly, Metabolife talks a lot about safety, but privately the operative word seems to be sales. The committee is deeply concerned that consumers may not be getting all the facts they need to make informed decisions."

A company representative could not be reached for comment.

The subcommittee subpoenaed Ellis, Brown and Daniel Rodriguez, described as a nurse who oversees Metabolife's call-complaint office, after they refused to appear voluntarily.

"They will be given every opportunity to tell their side of the story," Johnson said. "If they choose to plead the Fifth (Amendment) that's certainly their right, but no one is getting a free pass from this committee."

Metabolife CEO Russell Schreck and Vice President Robert Hermann are listed on the subcommittee's witness list, as is Michael Vasquez, a nurse and former Metabolife employee who has testified about the company's handling of adverse reaction reports from consumers and emergency room physicians.

Also among those slated to appear are the parents of two athletes whose deaths have been linked to ephedra: Baltimore Orioles pitcher Steve Bechler and Sean Riggins, a 16-year-old high school football player from Illinois.

Gun Shop's New Operator Gets License (Seattle Times)

By Steve Miletich

The Seattle Times, July 23, 2003

A federal firearms license has been granted to a new operator of Bull's Eye Shooter Supply, the Tacoma gun store that stocked the rifle used in last year's Beltway sniper slayings. He is a longtime friend of the previous owner, Brian Borgelt, whose dealer's license was revoked a month ago.

The new owner, Kris Kindschuh, will operate the store under the same name and at the same address, paying rent to Borgelt, who owns the building, Borgelt's lawyer said.

Borgelt, 39, will continue to own the upstairs gun range, according to lawyer James Frush.

The new license was granted by the federal Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) on Friday, an agency spokesman said.

Though names of federal firearms licensees usually are public, the spokesman, Scott McKinna, yesterday would not say who had taken over Bull's Eye.

Borgelt's license was revoked for four willful violations of federal recordkeeping laws that were uncovered after the sniper rifle was traced to his store and he couldn't show to whom he had sold it, as required by law. Police rely on sales records to trace weapons used in crimes.

"The important thing is Bull's Eye Shooter Supply is open and is going to be open at the same location," Frush said.

McKinna said Borgelt's records will be transferred to ATF's out-of-business center so they can continue to be used to trace crime guns.

Kindschuh, 39, previously held a gun dealer's license under a different business name, listed in the same building that houses Bull's Eye, which is a few blocks from the Tacoma Dome.

In order to get his new license, Kindschuh had to undergo a background examination by ATF. He couldn't be reached for comment.

Frush previously complained that federal officials deliberately were delaying giving a license to Kindschuh.

Frush said the ATF tried to get Kindschuh to change the store's name and required him to fire the Bull's Eye bookkeeper.

Federal investigators audited Bull's Eye's records last fall, shortly after the .223-caliber Bushmaster rifle used in the sniper shootings was traced to the store. Neither of the suspects in the shooting, John Muhammad nor Lee Boyd Malvo, legally was allowed to purchase a rifle: Muhammad was under a domestic-violence protective order; Malvo was a juvenile.

Borgelt could not explain how the rifle got out of his store, but Malvo has told investigators he shoplifted the weapon last summer, law-enforcement sources have said.

Malvo and Muhammad are awaiting trial in the sniper shootings, which left 10 people dead and several wounded in the Washington, D.C., area last fall.

The audit last fall found that Borgelt was unable to account for 78 guns in his inventory and that his sales records were in disarray.

It came two years after a 2000 audit showed 160 missing guns.

The latest audit triggered a continuing criminal investigation into Borgelt's operation and into allegations he failed to pay federal taxes.

Bull's Eye repeatedly has displayed indicators the ATF relies on to alert it to dealers that may be illegally trafficking in guns, according to ATF records: guns stolen from inventory; having at least 10 weapons a year traced to crimes; frequently selling multiple guns to individual buyers; and short times between gun sales and their involvement in crimes.

Borgelt plans to challenge his license revocation in federal court, Frush said.

IMMIGRATION:

Michigan To Test US Plan To Tether Immigrants In Attempt To Ease Crowding In Jail (DFP)

By Tamara Audi

The Detroit Free Press, July 23, 2003

Using Michigan as a test site, the federal government is quietly rolling out a national plan to put electronic tethers on illegal immigrants -- easing overcrowding in jails and allowing closer monitoring of immigrants who might otherwise skip court hearings or deportation proceedings.

This month, 11 illegal immigrants in Michigan were given electronic ankle bracelets, with more immigrants scheduled to be removed from jails in Macomb, Calhoun and Chippewa counties. About 180,000 of the nation's estimated 11 million illegal immigrants have been detained since Oct. 1.

The program signals the strain the immigration service is under as it tries to carry out new antiterrorism programs that have resulted in more detentions of immigrants.

It's also a step further into a post-Sept. 11 future that has some people wincing at the idea of the government restraining noncriminals and watching them go about their daily lives. But lawyers for jailed immigrants said the new program will allow their clients to spend their last months in the United States with their families, instead of languishing in jail at a cost to taxpayers of roughly \$80 a day.

In Detroit, where hundreds of mostly Arab visitors have been fingerprinted and some detained as part of a controversial national registration program, three county jails that house immigrants are in a space crunch.

Because of a backlog of cases in Detroit's immigration court, immigrants are waiting in jail for months before a hearing, their lawyers said. The government can detain an immigrant for up to 9 months before a federal judge has the power to order a release.

"They have too many people, and there's just no place to put them all," said Robert Birach, a Detroit immigration lawyer who said he hopes several of his clients are eligible for the tethers. "We're talking about some people who don't have criminal records being held."

The federal government rents space in jails to hold detained immigrants until they are deported or have court hearings.

The tether plan was unveiled at a private meeting of immigration officials and lawyers Monday at the abandoned former international terminal of Detroit Metro Airport, according to several people who attended the meeting.

Anchorage, Alaska, was the first immigration office to begin tethering illegal immigrants, federal officials said. But the Detroit program is considered the test site because of its much larger immigrant population, they said. "The success of the Detroit program will be closely monitored," said Temple Black, spokesman for the Bureau of Immigration and Customs Enforcement. The bureau "intends to slowly and methodically expand the program to other field offices."

The program will be offered primarily to immigrants with no violent criminal past, according to the government document spelling out the policy. Immigrants with tethers will have curfews, and may only be allowed to leave the house for work, religious services or doctor visits.

The tether sends an electronic signal through the immigrants' home phone that lets the government know when the immigrant has entered or left his house.

Until now, tethers have been reserved for criminals considered safe enough to serve their sentences outside prison -- a fact that has not escaped some immigrant advocates with mixed feelings about the program.

"It's definitely better than detaining people and keeping them away from their families," said Rana Abbas-Chami, spokeswoman for the American Arab Anti-Discrimination Committee. "So OK, we're not detaining them, but do we want to treat them like criminals?"

Some immigration-control advocates said the best way to relieve overcrowding at jails is to build more federal detention centers to house illegal immigrants. In Michigan, about 3,000 prisoners or parolees are on electronic tethers. Some had been convicted of assault crimes, a prison spokesman said.

There's not much to stop an illegal immigrant who knows he will be deported from cutting the tether and running, said Dan Stein, executive director of the Federation for American Immigration Reform.

Stein said he has one question: "Is the U.S. government going to have the resources or incentive to follow up on people who go outside the tether area or cut it off and disappear?"

Ex-Norfolk Airport Worker Fined In Immigration Case (Virginian-Pilot)

By Tim McGlone

The Virginian-Pilot, July 23, 2003

NORFOLK – A Philippines native who claims her family never told her she wasn't a U.S. citizen was fined \$100 in federal court Tuesday after pleading guilty to violating Norfolk airport security by failing to disclose her immigration status on an employee security form.

Lady Ann Quiambao, 22, also was placed on probation for a year after pleading guilty to entering a secure area of Norfolk International Airport without proper clearance.

Quiambao was part of a group of Norfolk airport workers accused of lying on application forms for security badges. The badges allow access to secure areas of the airport.

Quiambao was hired by Hudson News in July 1999 and worked part time at an airport newsstand located beyond a security checkpoint. She left the job in October 2000.

After the Sept. 11, 2001, terrorist attacks, the FBI conducted background checks on current and former airport workers who had received security badges. Quiambao's name surfaced because she said on her application that she was a U.S. citizen, according to court records.

She has been in this country since she was 11 but never knew she wasn't a U.S. citizen until she received a notice last year from the then-Immigration and Naturalization Service, her attorney, Stephen Heretick, said.

Quiambao had been charged in a six-count indictment but pleaded guilty to the lesser charge of entering a secure area of the airport without permission. The misdemeanor charge carries a maximum penalty of a year in jail and a \$100,000 fine.

Magistrate James E. Bradberry said he did not want to punish Quiambao, a Virginia Beach resident, harshly and jeopardize her efforts to obtain U.S. citizenship. An immigration case against her is pending.

Quiambao has held a steady job, is a student at a local college and is married to a U.S. citizen. She had no comment Tuesday.

She was one of 30 people named in the case, dubbed Operation Plane View. The Justice Department has taken a strict stance on violations of airport security since the Sept. 11 attacks, but most of the airport cases here have been dismissed.

Inside Politics (WTimes)

By Greg Pierce

The Washington Times, July 23, 2003

'The silliest grin'

"Wow, what a day," writes Tammy Bruce, author of "The Death of Right and Wrong," in an e-mail message. "Jessica Lynch comes home, we nail [Saddam Hussein's] two sadistic mutts, and the Eiffel Tower catches fire.

"I've been walking around with the silliest grin on my face all day long."

Cartoon police

Rep. Christopher Cox, California Republican and chairman of the House Homeland Security Committee, criticized the Secret Service yesterday for interrogating Los Angeles Times editorial cartoonist Michael Ramirez.

Mr. Ramirez got into hot water with the feds for a recent cartoon, based on a famous photograph from the Vietnam War, which depicted President Bush with his hands bound while a man labeled "Politics" prepares to shoot him in the head. The background of the drawing is a cityscape labeled "Iraq."

"Those of us in Southern California are used to seeing Michael Ramirez's political cartoons in the Los Angeles Times," Mr. Cox said yesterday in a prepared statement. "They are amusing, insightful, sometimes historical, sometimes biting - but never illegal. I was disappointed to read that the U.S. Secret Service, according to an agency spokesman, was considering 'what action, if any, could be taken' against Mr. Ramirez for his recent cartoon depicting political attacks on President Bush."

Mr. Cox, in a letter to Ralph Basham, director of the Secret Service, said: "The use of federal power to attempt to influence the work of an editorial cartoonist for the Los Angeles Times reflects profoundly bad judgment."

Lack of clout?

Joe Garcia, executive director of the Cuban American National Foundation, lashed out at three Cuban-American members of Congress yesterday for lacking the clout to prevent the forced return of 15 Cubans to the communist island.

The Cubans, who were returned Monday, had fled the island to the United States on a stolen boat. They now face up to 10 years in a Cuban prison for armed robbery and kidnapping. Cuban dictator Fidel Castro promised they would not be charged with hijacking, which could bring the death penalty.

The foundation is usually seen as a strong ally of the Republican Party, but Mr. Garcia singled out three Republican members of Congress from South Florida - Reps. Ileana Ros-Lehtinen, Lincoln Diaz-Balart and Mario Diaz-Balart - for not having more influence with the White House.

"This is a betrayal by this administration," Mr. Garcia said. "And what it demonstrates is the impotence of our Republican congressmen within this Republican administration. When you sell yourself cheap, you get treated cheaply."

Nevada raises taxes

The Nevada state Legislature passed a record \$836 million tax increase by two-thirds majorities in both houses, averting what one lawmaker called a potential constitutional crisis over a recent state Supreme Court ruling.

A deadlock that gripped the Legislature for months ended just before midnight Monday when both houses approved the plan that hits casinos, smokers and others to fund schools and state services.

Senators voted for it 17-2, and the Assembly gave final approval with a 28-14 vote - exactly a two-thirds majority - less than an hour later.

Gov. Kenny Guinn, a Republican and a strong backer of higher taxes, was expected to sign it into law yesterday, the Associated Press reports.

Mr. Guinn had won a legal victory July 10 when the state Supreme Court nullified a part of Nevada's Constitution that required two-thirds of both houses to approve any tax increase. The court ruled that the constitutional requirement to fund schools outweighed the voter-approved mandate making it harder to increase taxes.

So while lawmakers just needed a simple majority, not two-thirds, for Monday's vote, they got two-thirds anyway. That reduces the urgency of any appeal to the U.S. Supreme Court on the state justices' decision.

A panel of federal judges had stayed the state Supreme Court decision, but then ruled last week that they had no jurisdiction and let it stand.

Top tier

Former Vermont Gov. Howard Dean and Sens. John Kerry and Joe Lieberman are bunched together in the top tier of Democratic presidential candidates in California, a new poll shows.

Mr. Dean was favored by 16 percent of those likely to vote in the state's Democratic primary in March, said a poll released yesterday by the nonpartisan Field Research Institute. He was followed closely by Mr. Kerry of Massachusetts at 15 percent and Mr. Lieberman of Connecticut at 14 percent, the Associated Press reports.

The poll, conducted between July 1 and July 13, surveyed 1,040 registered voters by telephone and had a margin of error of five percentage points.

It found that 33 percent of likely Democratic voters were undecided.

The poll reported that just 7 percent of likely Democratic voters favored Rep. Richard A. Gephardt of Missouri - compared with 12 percent in April. Sen. John Edwards of North Carolina, who has shown prodigious fund-raising talent but has struggled to break out of the pack, was favored by just 4 percent of likely California voters.

Sen. Bob Graham of Florida, Rep. Dennis J. Kucinich of Ohio and black activist Al Sharpton followed with 3 percent. Former Sen. Carol Moseley Braun of Illinois had 2 percent support.

That other library

Just a few blocks from the future site of Bill Clinton's \$160 million presidential library in Little Rock, Ark., a couple of Clinton foes hope to open a museum devoted to mocking his presidency.

"As long as he's talking, we'll have to be here trying to keep him somewhat honest and stop him from rewriting history," says John LeBoutillier, a former Republican congressman from New York who rode Ronald Reagan's coattails to victory in 1980.

Mr. LeBoutillier and his partner, Houston businessman Richard Erickson, plan to call it the Counter-Clinton Library. They say the museum here and one planned for Washington will look at such topics as Whitewater, Monica Lewinsky, the last-minute pardons, even damaged White House furniture, the Associated Press reports.

"We already hear he's going to bring a bunch of egghead economists to his library to say how great the economy was when he was president," Mr. LeBoutillier says. "And we'll find our own who can say it had nothing to do with him."

The two partners hope to open their place the same day that Mr. Clinton's opens in November 2004. They say they will need \$5 million. Mr. LeBoutillier says thousands of donations have come in and the average one is \$72, but he will not say exactly how much has been raised so far.

The 'prophet'

Readers will note that The Washington Times on July 14 reported NAACP Chairman Julian Bond's disparaging remarks about Republicans - something about the dark underside, as you may recall. But believe it or not, Mr. Bond did show some restraint.

In his prepared remarks, which were released to the press around 1 p.m. on July 13, the day of Mr. Bond's inflammatory speech, the former Georgia lawmaker included a sentence that was later omitted: "In coded racial appeals, they embrace Confederate leaders as patriots and wallow in a victim mentality."

Strong rhetoric, but the audience at the Miami Beach Convention Center was prepared for something almost otherworldly after Florida NAACP President Adora Obi Nweze introduced Mr. Bond as being "preordained" and compared him to Jeremiah, the Old Testament prophet.

One Town's Struggle To Accept Immigrants (CSM)

An influx of immigrants has brought tension - and violence - to a Long Island community.

By Leon Lazaroff

The Christian Science Monitor, July 23, 2003

FARMINGVILLE, N.Y. - Walking by the remains of a firebombed clapboard home that was formerly occupied by a family of Mexican immigrants, Pedro Escorza Vargas shrugs incredulously.

"This was racism," says Mr. Vargas, a Mexican day laborer. "Most of the people here know we just want to work, but there are some that hate us."

Just after midnight on July 5, long after local Independence Day firework displays had ended, a flammable device was thrown into a small two-story house in this semi-suburban Long Island town. The house, with a family sleeping inside, was quickly enveloped in flames. Neighbors who heard the blast helped ferry the family out of the home without injury.

Though Suffolk County police initially stopped short of calling the firebombing a "bias crime," officer Robert Reecks said last week that after more investigation, "it looks like they have been targeted because of who they are." The FBI has also become involved.

Like other towns that have experienced a sudden influx of immigrants, Farmingville has become a flash point for those angry about the rising presence of nonwhite immigrants, mostly from Mexico and Central America, but also from Africa, India, China, and other parts of Asia. Although a virulently anti-immigrant group based in Farmingville lost much public support during the past year, the firebombing suggests hostilities haven't vanished. Indeed, the incident highlights the tensions sometimes produced when a sizable number of immigrants take up residence in places well removed from urban centers.

"How immigrants or any new group is met by those who have lived there for a while depends on the community itself," says Mark Pitcavage of the Anti-Defamation League, which tracks the operations of hate groups nationwide. "Some communities are able to assimilate these people. Some tolerate and even welcome them. Some go in the opposite direction."

For immigrants and their advocates, the location of the arson attack erased any doubt that the incident was meant to intimidate the 3,000 or so Latino immigrants that live and look for work in the town. Immediately next door to the firebombed house, now boarded up, lies the home once occupied by two Mexican laborers who were nearly killed after being picked up in Farmingville in 2000 by a pair of white supremacists masquerading as contractors. The laborers, both undocumented immigrants, were taken to an abandoned industrial park in a neighboring town and attacked with a pole-hole digger and a knife.

Back then, suspicions fixed on a highly visible anti-immigrant group called the Sachem Quality of Life Organization. However, the pair later convicted of attempted manslaughter and sentenced to 25 years in prison were neither members of Sachem nor residents of Farmingville. Rather, one lived in Queens and the other elsewhere on Long Island.

Ed Person, president of Sachem, flatly states that none of his members had anything to do with this month's firebombing. He adds, "If the federal and state governments were enforcing the law against these illegal aliens, a lot less of these problems would be going on."

The furor over undocumented immigrants is a product of Long Island's geography, which shapes the area's insular lifestyle, says Charles Funk, who helped form Brookhaven Citizens for Peaceful Solutions, a community group to counter Sachem.

Mexican and Central American immigrants, some with papers but many without, have been gradually but steadily moving to towns and villages on Long Island for more than 20 years. Contractors, eager for cheap labor, have been quick to offer them work.

"Long Island is really very provincial," Mr. Funk says. It's a "dead-end island," he calls it, because to get away by land, drivers must pass through Brooklyn, Queens, or the Bronx.

Farmingville, pop. 15,000, is a mostly middle-income community of bungalows and ranch houses broken up by strip malls. The town itself is on land that belies its name: Its sandy pine soil and soft hills have never made for easy farming.

In 1998, Sachem began holding public meetings at the local firehouse. They called on politicians to pressure the Immigration and Naturalization Service to deport the rising number of men who waited for day-laborer work in front of town convenience stores.

Sachem's leaders had little trouble attracting 300 or more people at meetings or gathering a few dozen for pickets at day-laborer hiring sites. Police often had to be present to separate Sachem's members from groups of immigrants.

Through its local cable-television show, "Whose Community Is It Anyway?" Sachem charges that Farmingville's Latino immigrants have brought crime and congestion to the town while depressing local wages and squeezing town services. Suffolk County police, though, say there has been no increase in crime.

About a year ago, many Sachem members left the group when its newest leaders began aligning more closely with a network of armed militia groups operating in Arizona and Texas. In doing so, Sachem began to publicly embrace the theory that the Mexican government was encouraging emigration to the US as part of a larger plan to retake the southern half of North America.

In June, Chris Simcox, head of the Civil Homeland Defense, a vigilante border group that operates out of Tombstone, Ariz., headlined Sachem's annual conference, attended by just a handful of people. "Sachem's radical leadership was overthrown by an even more radical leadership," says Patrick Young, director of the Central American Refugee Center in Hempstead, Long Island.

Though Sachem was exonerated from the 2000 assault and may have had nothing to do with the recent firebombing, Mark Potok of the Southern Poverty Law Center in Montgomery, which also tracks hate groups, says the group's rhetoric fosters a climate of distrust and antipathy that makes bias crimes possible.

"I would say there is very little question that attacks on immigrants are on the rise," Mr. Potok says.

One former Sachem member, Bill Murphy, a state worker, says he's not against immigration as long as it's controlled and legal. Mr. Murphy has since helped start Concerned Residents for a Better Brookhaven. "The vast majority of people in this town favor immigration," he says - "but legal immigration."

TAX:

Lawyer Barred From Selling Tax Schemes (LAT)

Torrance attorney is also ordered to identify his clients, six of whom allegedly owe the U.S. more than \$9.5 million.

By Kathy M. Kristof

The Los Angeles Times, July 23, 2003

A federal crackdown on suspected tax cheats has claimed a Torrance-based tax attorney, who has been barred permanently from promoting abusive tax schemes over the Internet and in person, Justice Department officials said Tuesday.

A federal judge in Los Angeles also ordered Eduardo Marmolejo Rivera to provide government investigators with the identities of his clients and to post the judge's injunction on his Web site, <http://www.EdRivera.com>.

The Internal Revenue Service maintains that six of Rivera's clients, who allegedly chose to "opt out" of the federal income tax system at Rivera's urging, owe the federal government more than \$9.5 million in taxes, interest and penalties.

"The Department of Justice and the IRS are determined to shut down the promotion of tax-evasion schemes," Eileen J. O'Connor, assistant attorney general in charge of the tax division, said in a prepared statement. "People who encourage others to violate the law will be stopped and brought to justice."

Rivera did not return a reporter's phone calls.

The case against Rivera is one of several dozen that the IRS is pursuing in a redoubled effort to crack down on individuals and companies that promote tax-evasion techniques.

Although statistics are scarce, industry experts believe that tax evasion has burgeoned over the last decade, as IRS enforcement has diminished as the result of a lower budget and reductions in staff.

Now, with estimates of tax revenue lost to cheating in the hundreds of billions annually, the agency has won congressional support to hire more examiners and pursue cheaters much more aggressively. The agency is focusing on promoters such as Rivera both to stop them from selling abusive tax techniques and to get lists of their clients, whom the IRS then targets for audits.

"There is a focused effort to go after promoters - both the mills that crank out false returns and those that promote false information," said Robert F. Conte, the assistant U.S. attorney handling the Rivera case. "It's a targeted use of our resources."

According to government legal filings, Rivera promised legal opinions and letters that would "inspire and assist" his clients who wanted to stop paying federal income taxes. Rivera sold legal opinions for \$100 to \$2,000 maintaining that paying income taxes is strictly voluntary for most citizens - a common argument of tax protesters. According to Rivera's Web site, he also offered to represent clients before the IRS for a retainer of \$3,500.

Rivera also was charged with urging his clients' employers not to withhold taxes from the employees' wages. In an unrelated action a week ago, the IRS sued employers in three states for having failed to withhold taxes from workers' wages.

"There is nothing original about his claims, but they are certainly damaging to innocent purchasers of this stuff," Conte said. "We will be watching his Web site to make sure he posts the injunction."

Feds Sue Quakers To Recoup 42g In Taxes, Interest Owed By Aide (Philadelphia Daily News)

By Jim Smith

The Philadelphia Daily News, July 23, 2003

The IRS wants tax money from Philadelphia Quakers in a lawsuit that one defense lawyer calls "an attack on the church."

U.S. Justice Department lawyers yesterday sued the Philadelphia Yearly Meeting of the Religious Society of Friends for refusing to help the IRS collect about \$42,000 in back taxes, interest and other charges from one of the society's employees.

The employee is Priscilla L. Adams, a pacifist and war-tax resister for nearly 30 years who doesn't want tax dollars going to the military.

Adams, of Willingboro, N.J., a Quakers fieldworker on peace and justice issues in South Jersey, failed to pay federal income taxes between 1986 and 1996, the suit states.

The lawsuit contends that the Quakers are responsible for paying Adams' entire \$42,000 tax debt, plus an additional \$21,000 "penalty."

The penalty is owed, the government claims, because the Yearly Meeting, based on Cherry Street near 15th in Center City, refused to turn over her wages to the IRS when it sought to collect the debt in recent years.

"I'm disappointed in the Bush administration, which claims to be more friendly to religion," said the Quaker's attorney, Peter Goldberger, of Ardmore.

"That they would go after a major religious institution on a matter of religious principle - I don't think they should have done it."

The Yearly Meeting has about 13,000 members in more than 100 congregations in southeastern Pennsylvania, central and southern New Jersey, Delaware and Maryland's Eastern Shore.

Many Quakers are pacifists who believe that they would be violating a tenet of their faith if they paid taxes that support war.

Followers say they would prefer to earmark their taxes for highways and schools or other non-military uses, but the government refuses to accommodate them, so they simply refuse to pay any taxes.

Earlier court rulings, however, support part of the government's legal action. More than a dozen years ago, the IRS won two similar lawsuits in Philadelphia against the Quakers.

But in those earlier cases, U.S. District Judge Norma Shapiro rejected the IRS' demand for a 50 percent penalty, saying the Quakers had reasonable grounds to challenge IRS levies on employees' salaries.

"It is ironic," Shapiro wrote back then, "that here in Pennsylvania, the woods to which Penn led the Religious Society of Friends to enjoy the blessings of religious liberty, neither the Constitution nor its Bill of Rights protects the policy of that Society not to coerce or violate the consciences of its employees and members."

IRS Targets Metro Muffler Shop (Denver Post)

Suit against Northglenn business part of sweep to compel employers to withhold taxes

By Tom McGhee

The Denver Post, July 23, 2003

A Colorado muffler shop and its officers are targets of Internal Revenue Service efforts to compel businesses to withhold taxes from employees' paychecks.

Three suits filed in U.S. District Courts in Denver and Sacramento, Calif., this week are aimed at employers who claim the federal tax code doesn't require most Americans to pay taxes on their wages.

The government for years has waged court battles against advocates of the theory that Section 861 of the tax code applies mainly to foreign-owned businesses.

The suit filed Monday against Colorado Mufflers Unlimited of Northglenn and its officers claims the company owes more than \$210,000 in unpaid and mistakenly refunded taxes.

"Colorado Mufflers and its officers attempt to justify their illegal conduct by the patently frivolous 'Section 861' argument," U.S. Justice Department attorneys said in the suit, filed on behalf of the IRS.

Richard Rudd Sr., Dolores Rudd, Sherilyn and George Gallegos and Richard D. Rudd Jr., who are named as the business owners in the suit, couldn't be reached for comment.

The government also sued two California businesses Monday in Sacramento.

Since the beginning of the year, the department has filed four suits seeking to halt promoters of 861 schemes. Among those targeted are Thurston Bell, founder of the National Institute for Taxation Education.

A suit in federal court in Harrisburg, Pa., claims Bell uses his organization's website to promote 861 schemes to potential clients.

In Monday's suits, the department is asking the court to issue an injunction requiring the defendants to pay back and future taxes. "It is part of the overall IRS strategy to use civil injunctions and criminal actions to persuade these fellows to come back into compliance," IRS spokesman John Harrison said.

The IRS can take administrative actions to get the money back, said Drew Wade, a spokesman for the Justice Department. "Typically, we go in after those have been exhausted with no relief," he added.

The government contends the law requires employers to withhold federal income and Federal Insurance Contributions Act taxes from wages as they are paid. Employers also must pay a share of the FICA taxes, which are used to fund Social Security and Medicare programs, and must pay federal unemployment taxes.

Colorado Mufflers, which has had nine employees since 1999, stopped paying the taxes in 2000, the suit read. The firm also filed amended forms in August and September 2000 falsely reducing all previously reported wages and tax liabilities to zero, the suit stated.

The amended forms led the IRS to issue Colorado Mufflers undeserved refunds of \$88,768.

In May, a federal district court ordered the company to return the refunds.

The IRS unsuccessfully warned the company repeatedly over the past two years to withhold the taxes. "The individual defendants have professed their intention to continue to flout the internal revenue laws," the suit said.

Abolish The Income Tax And The IRS (WSJournal)

Letter to the editor Rep. John Linder (R., Ga.)

The Wall Street Journal, July 23, 2003

Washington - In your July 11 editorial "Flat Tax Fever" you assert that it would be in America's interest to enact a flat income tax system. To which I said, "Again?"

The income tax code we have today, which everyone has come to know and love, is a flat tax on income -- 90 years later. Indeed, we passed a fairly flat code in 1986 only to amend it 6,000 times since then. The IRS code has made criminals of us all and it's time for it to go away.

In July 1999, I first introduced the FairTax. Earlier this year, I re-introduced this legislation as H.R. 25. My proposal would shift the federal government's funding paradigm from income-based taxes to a personal consumption tax.

First, the FairTax repeals all federal personal income taxes, corporate income taxes, payroll taxes, self-employment taxes, capital-gains taxes, and gift and estate taxes. The FairTax would replace all of the burdens associated with these income taxes with a revenue-neutral 23% sales tax on all retail sales of new goods and services. That's it: a simple, fair, privacy-protecting, transparent, easy-to-understand and industry-neutral personal consumption tax.

One of the most compelling studies we commissioned was completed by Harvard economist Dale Jorgenson. He argues that 22% of what you currently spend at retail is the embedded cost of the current tax code. In effect, we are already paying this tax. A 23% embedded tax would fund the government at current levels, but you would keep your whole check. You would become a voluntary taxpayer paying taxes when you choose, as much as you choose, by how you choose to spend.

My proposal also provides for every family to get a check at the beginning of every month to totally rebate the tax consequences of spending up to the poverty line. Thus people living at or below the poverty line would get a 22% increase in purchasing power.

The current income tax system frequently costs more to comply with than it generates in revenues. For small businesses, it costs roughly \$700 to remit \$100 in revenues. Some who have studied the tax code's complexities and compliance costs estimate its overall compliance cost at hundreds of billions of dollars. By abolishing it and the Internal Revenue Service, the FairTax solves these problems.

All of the time, energy and cost devoted to complying with the tax code would be directed, instead, toward productive economic behavior. Using a very conservative estimate of \$250 billion in total income tax compliance costs, enacting the FairTax represents a \$2.5 trillion economic stimulus package over 10 years, dwarfing the 10-year, \$335 billion proposal Congress presented a few weeks ago. Imagine all of the jobs that could be created by U.S. businesses if they could invest \$2.5 trillion into research, development, capital equipment and technology.

CONGRESS-ADMINISTRATION:

Schumer Strikes Deal To Fill Every Federal Judge Slot In State (AP)

By Devlin Barrett

The Associated Press, July 22, 2003

WASHINGTON – Sen. Charles Schumer said Tuesday he has struck a deal with the White House and Gov. George Pataki to fill every open federal judgeship in New York state _ and even some that aren't empty yet.

The New York Democrat made the announcement even as four of the agreed-upon nominees, all slated for openings in the New York City area, breezed through a Senate Judiciary committee confirmation hearing.

The full Senate still has to vote on the four: Stephen Robinson, Kevin Castel, Richard Holwell, and Sandra Feuerstein. Schumer's announcement mentions five others, some who have not yet been formally nominated. The list includes Gary Sharpe to the Northern District and Sandra Townes to the Eastern District.

Sharpe is a federal magistrate judge in Syracuse, and Townes is a former Syracuse prosecutor now serving on the state appellate bench in Brooklyn.

But another wrinkle arose Tuesday in the judicial selection process: a majority of the American Bar Association's review committee has found judicial nominee Dora Irizarry, a former Republican candidate for statewide office, "not qualified" for the federal bench.

Irizarry ran for state Attorney General on the GOP ticket with Pataki last year, but lost to Democrat Eliot Spitzer. Her nomination for a judgeship has been supported by Schumer.

Schumer, who is leading the Senate Democrats' fight against a handful of President Bush's nominees, said the agreement on New York judges shows he is happy to work with Republicans to promote any judge without strong ideological positions.

The bipartisan agreement on the four New York nominees who appeared before the panel Tuesday stands in "stark contrast" to the ongoing fight over a handful of other potential judges, Schumer said.

Democrats have filibustered to block the nominations of Miguel Estrada and Texas State Supreme Court Justice Priscilla Owen, and have threatened filibusters for some others.

Governors do not traditionally have much input in the federal judicial selection process, but Pataki has more influence than usual because both New York senators are Democrats during a Republican administration.

In making the announcement, Schumer said all sides had agreed that Paul Crotty, a member of the Lower Manhattan Development Corp., who was corporation counsel to Republican New York City Mayor Rudolph Giuliani and former commissioner to Democratic Mayor Ed Koch, will be tapped for the next opening in Manhattan federal court.

The sides have also agreed on a judge for any future opening that arises in the Eastern District, Schumer said. That could be good news for Staten Island District Attorney William Murphy, who has been touted previously by Schumer for a seat on the federal bench.

In addition, Schumer said Kenneth Karas, a longtime terrorism prosecutor now part of the team trying to convict alleged Sept. 11 plotter Zacarias Moussaoui, will be nominated to the same district court in New York.

The senator's office said Karas is currently undergoing a background check in preparation for being nominated.

Irizarry, a former state judge, has been tapped by President Bush for a seat in the Eastern District of New York. If confirmed, the native of Puerto Rico would be the first Hispanic on that bench.

The ABA's review committee found, by a majority of 14 voting members, Irizarry was unqualified for the bench. A minority found her qualified, said ABA staffer Gail Alexander.

Justice Department spokesman Mark Corallo said the administration "continues to support all of the president's highly qualified nominees."

Pataki spokesman Joseph Conway said the governor "has full confidence" in Irizarry.

The ABA's influence on the judge-picking process has waned recently. Two months after taking office, President Bush announced he was ending a 50-year-old practice of the White House seeking ABA reviews of candidates for judgeships.

The decision on Irizarry follows a finding by the Association of the Bar of the City of New York that also found her "unqualified."

After reports of that decision, Schumer said he would continue to support her nomination.

An Extremist Judicial Nominee (NYTimes)

Editorial

The New York Times, July 23, 2003

The Senate Judiciary Committee could vote as early as today on the nomination of the Alabama attorney general, William Pryor, to a federal appeals court judgeship. Mr. Pryor is among the most extreme of the Bush administration's far-right judicial nominees. If he is confirmed, his rulings on civil rights, abortion, gay rights and the separation of church and state would probably do substantial harm to the rights of all Americans. Senators from both parties should oppose his confirmation.

Mr. Pryor, who has been nominated for a seat on the Federal Court of Appeals for the 11th Circuit, based in Atlanta, has views that fall far outside the political and legal mainstream. He has called *Roe v. Wade*, the landmark abortion-rights ruling, "the worst abomination" of constitutional law in our history. He recently urged the Supreme Court to uphold laws criminalizing gay sex, a position the court soundly rejected last month. He has defended the installation of a massive Ten Commandments monument in Alabama's main judicial building, which a federal appeals court recently held violated the First Amendment. And he has urged Congress to repeal an important part of the Voting Rights Act.

Moderates in the Senate and in the legal community have repeatedly called on the Bush administration to stop trying to stack the federal judiciary with far-right partisans like Mr. Pryor. But the White House and its supporters have chosen instead to lash out at these reasonable critics. In a shameful bit of demagoguery, a group founded by Boyden Gray, a White House counsel under the first President George Bush, has run newspaper ads accusing Mr. Pryor's critics in the Senate of opposing him because he is Catholic.

At today's committee meeting, much of the attention will be on Arlen Specter, the Pennsylvania Republican who could cast the deciding vote. Mr. Specter owes it to his constituents to break with the White House and vote against Mr. Pryor, whose extremist views are out of step with most Pennsylvanians'. Standing up for an independent, nonideological judiciary is an urgent cause, and one that should find support on both sides of the aisle.

Medicare Bills' Price Tags Top The \$400 Billion Cap (WSJournal)

By Sarah Lueck

The Wall Street Journal, July 23, 2003

WASHINGTON – The price tags of the House and Senate Medicare bills would surpass the \$400 billion limit set by President Bush and Congress, according to new estimates from the Congressional Budget Office.

The Senate bill would cost \$461 billion over 10 years, the House version \$408 billion over the same period, the CBO said. Approved last month, the measures had aimed to stay below the \$400 billion specified in earlier budget legislation.

But momentum was building among senators to strip out an estimated \$40 billion provision in their bill that would require certain disclosures by companies administering the drug benefit. Senate aides said the House bill has other costs: creating tax preferred health savings accounts that would cost the Treasury \$174 billion in lost revenue over 10 years.

The new numbers add another challenge to the debate over providing a drug benefit in Medicare, the federal program for the elderly and disabled.

Remaking Medicare: Full coverage of the ongoing Medicare debate, plus commentary and analyses.

House and Senate negotiators have barely begun to reconcile their differences over the complex legislation. Now they must consider how to scale back the costs of both bills.

In broad terms, the bills are similar. They spend close to the same amount providing coverage for medications, and they take steps to increase the availability of private insurance plans as an alternative to government-run Medicare. But there are many differences, most of which aren't expected to be taken up until the fall.

Administration officials attempted to energize the discussions ahead of a meeting scheduled for Wednesday between President Bush and key lawmakers. Health and Human Services Secretary Tommy Thompson told reporters that it "appears likely" that negotiators will agree this week on a relatively minor portion of the legislation that would make regulatory changes to Medicare.

The administration, focusing on getting a deal, hasn't formally said it prefers one bill over the other. But officials said the final product should increase the role of private insurers in providing all medical benefits and raised concerns that the Senate bill doesn't go far enough in that direction. One concern: a provision in the Senate version, supported by many rural lawmakers, that would provide a government-run drug benefit as a fallback in areas where private plans don't offer one. Officials said that system

would put the government in the position of either fixing prices on drugs, which has been opposed by the industry, or overpaying, as it tends to do on the few outpatient drugs Medicare covers.

The \$40 billion provision, which might be removed from a final bill, would require the private companies administering the drug benefit -- called pharmaceutical-benefit managers or PBMs -- to report the discounts they negotiate with pharmaceutical companies. The CBO found that if PBMs were required to make such disclosures, they would have less ability to get low prices from drug makers. But supporters of the provision disagreed. "It's unclear to us how disclosure can cost \$40 billion," said an aide to Sen. Maria Cantwell (D., Wash.), who sponsored an amendment adding the requirements.

Medicare Bills' Costs Exceed Bush Limit (LATimes)

By Vicki Kemper

The Los Angeles Times, July 23, 2003

WASHINGTON - With the Medicare conference committee still basically inactive 25 days after the House and Senate passed competing reform bills, cost estimates released Tuesday show that both measures exceed President Bush's 10-year, \$400-billion spending limit.

The side-by-side comparison of the bills prepared by the nonpartisan Congressional Budget Office offered a little something for everyone - except, perhaps, Medicare beneficiaries hoping for a more generous prescription-drug benefit.

The conference committee chairman, Rep. Bill Thomas (R-Bakersfield), said last week - at the panel's first and only meeting so far - that he was waiting for the CBO numbers before beginning serious negotiations.

Although the budget office on Tuesday projected that the House bill, for example, would cost taxpayers \$571 billion over 10 years, Thomas and Rep. W.J. "Billy" Tauzin (R-La.) said in a joint statement that the CBO had pegged the bill's cost at \$408 billion.

The CBO said that the \$408-billion figure (later revised downward to \$405 billion) represented only the bill's direct spending for a prescription-drug benefit and other Medicare reforms.

After congressional budgeteers factored in administrative costs, revenue savings and \$174 billion in tax revenues lost to a new health savings account, the cost estimate ballooned to \$571 billion.

Yet the Thomas-Tauzin statement included a "pledge" to keep the cost of a compromise bill "under the \$400-billion figure."

Budget officials and congressional aides said that only two scenarios would make that possible:

The first, considered highly unlikely, would have House Republicans surrendering the health-savings account in conference. More likely, however, House Republicans will consider the cost of the health-savings accounts to be separate from the budget allocation for Medicare reform, even though they are included in the bill.

The math for the Senate bill was only slightly less complicated.

The CBO estimated that the Senate bill's core Medicare reform and prescription-drug provisions would cost \$421 billion over 10 years.

Add to that \$4 billion in other costs, subtract \$25 billion in revenue savings - and the total cost figure is exactly \$400 billion.

Of course, it's not quite that simple.

Budget analysts reached the \$400-billion figure only by excluding, at the request of Senate Majority Leader Bill Frist (R-Tenn.), an amendment sponsored by Sen. Maria Cantwell (D-Wash.) that would require pharmacy-benefit managers to publicly disclose the results of their discount negotiations with drug companies.

If Cantwell's amendment is included in the estimate, the cost of the Senate bill jumps to \$440 billion.

Congressional aides said Tuesday that it was unclear how, or if, the new cost estimates would affect the committee's attempts to produce a compromise Medicare bill.

In the meantime, the committee's vice chairman, Sen. Charles E. Grassley (R-Iowa), has been meeting with Republican and Democratic senators on the committee, and Bush has extended an invitation to all members of the panel to meet with him at the White House today.

With the House wrapping up its summer schedule Friday and the Senate scheduled to begin its August recess at the end of next week, the committee's slow start ensures that Medicare negotiations will continue into the fall.

Fewer Retirees Get Drug Coverage From Employers (NYTimes)

By REED ABELSON

The New York Times, July 23, 2003

The number of people retiring with health insurance from their employers has dropped significantly since 1996, according to a new study, leaving many recent retirees without coverage for prescription drugs.

The study, which was conducted from interviews of Medicare beneficiaries 65 to 69 years old, appears today on the Web site of Health Affairs, an academic journal.

While the overall percentage of Medicare beneficiaries with employer-sponsored coverage has remained relatively steady, according to the study, the percentage of younger Medicare beneficiaries with coverage fell to 39 percent in 2000 - the most recent information available - from 46 percent in 1996.

The study shows that future decreases in the number of retirees covered under their employers plans is "starting from a base that is lower than most people believe," Bruce Stuart, one of the study's authors, said. Mr. Stuart is the executive director of the Peter Lamy Center on Drug Therapy and Aging at the University of Maryland School of Pharmacy.

The findings, Mr. Stuart said, emphasize the need for a Medicare benefit as well as the importance of structuring the government coverage in a way that helps preserve employer-sponsored coverage.

Many employers are pressing for passage of the legislation, but there is considerable debate in Congress over how to discourage companies from dropping the policies they now offer. Many retirees rely on their employers' coverage to pay for prescription drugs that are not covered under the Medicare program, and there is concern that the Medicare benefit could leave them with coverage that is significantly less generous than what they receive from an employer.

"People are going to be very, very disappointed in what they get," Mr. Stuart said.

The House and Senate, which are now in conference to work out a bill, need to address "the need for strong assurances about retiree health coverage," said John Rother, director for policy and strategy for AARP, which lobbies for older Americans. "We do not want them to just ignore it."

How employers would react to a Medicare prescription-drug benefit is unclear, given that many companies are already cutting their coverage. The Employee Benefit Research Institute, for example, recently released an analysis suggesting that only a fraction, from 2 percent to 9 percent, of current retirees with employer coverage are at risk for losing it solely because of the legislation. As the institute noted, "there have been and currently are powerful forces at work in the marketplace that are shrinking the availability of retiree health benefits regardless of policy changes in Medicare."

"The vast majority of today's retirees and the vast majority of tomorrow's retirees are dependent on Medicare and anything else they can afford to pay for" to provide drug coverage, said Dallas L. Salisbury, an analyst at the institute.

Even fewer male retirees would have had health insurance from an employer if more women had not entered the work force, providing their husbands with coverages, Mr. Stuart said. But many employers are no longer paying for spousal benefits, he said, so such coverage will probably be available only at a high cost to future retirees.

The study also showed that while retirees were able to obtain drug coverage from other sources, like private health plans offering Medicare coverage, fewer individuals are buying policies that offer supplemental coverage. Retirees are probably not going to turn to such policies in the future because of the rising cost, Mr. Stuart said.

Private health plans have also dropped out of the Medicare program in recent years, and there are fewer beneficiaries enrolled in these plans.

"In short, we can expect that greater numbers of new retirees will face the prospect of having no viable source of outpatient prescription drug coverage," the study's authors concluded.

The challenge before Congress is to come up with legislation that does not lead to more companies dropping coverage, Mr. Stuart said. In particular, he pointed to the Senate bill as making it difficult for employers to offer coverage that can be easily combined with the proposed drug benefit.

The Congressional Budget Office, for example, which provided earlier estimates that suggest a more drastic effect on retirees, calculates that the Senate bill will result in more companies dropping coverage than the House version.

Report Challenges Medicare Reform Bills (WPost)

Budget Office Says Changes Will Lead to Fewer Patients in Private Plans, Not More

By Amy Goldstein

The Washington Post, July 23, 2003

Landmark Medicare legislation is unlikely to prompt older Americans to sign up for private health plans, a central goal of bills passed last month to transform the nation's insurance program for the elderly, the Congressional Budget Office told lawmakers yesterday.

The analysis by the nonpartisan budget office says that, despite efforts in both the House and Senate bills to create popular private-sector alternatives to the traditional Medicare program, the proportion of elderly patients in such health plans would be lower in a decade than it is today.

That conclusion is accompanied by a forecast that each bill would cost more than the \$400 billion limit agreed to by lawmakers and the White House for spending to redesign Medicare. According to the analysis, the Senate measure would cost \$461 billion in direct spending over the next decade, and the House version would cost \$408 billion.

The CBO's findings -- relayed in oral briefings on Capitol Hill yesterday and issued in a 60-page report last night -- represent the budget office's first comprehensive critique of the legislation adopted a month ago by Congress on an issue that President Bush has defined as his top remaining domestic objective this year. Taken together, the enrollment predictions and cost estimates cast doubt on how well the legislation would achieve its basic purposes: adding to Medicare drug coverage that the nation could afford, and nudging people in the program into preferred-provider networks, HMOs or other forms of private health plans.

The report comes as the drive to redesign Medicare -- something Congress has tried and failed to do for years -- has reached a delicate phase. After the House and Senate passed their plans, congressional negotiators began last week to search for compromises on the considerable differences between them. Many of those differences revolve around how far the government should go to tilt the 1960s-era system from a federal entitlement to a program built on market competition.

Yesterday, leaders of the conference committee vowed to produce an agreement that abides by the \$400 billion ceiling.

Conferees did not comment on a conclusion in the CBO estimate that one provision of the Senate bill would cost \$40 billion. That provision would require companies that manage pharmacy benefits for Medicare to disclose to federal agencies the discounts they negotiate with drug manufacturers. The companies are lobbying against it because, they say, it will limit their leverage in negotiations, but proponents say it would encourage the companies to pass cost savings on to consumers.

Yesterday, Health and Human Services Secretary Tommy G. Thompson, briefing reporters on Medicare, said the administration is "cautiously optimistic" that the House and Senate will resolve their differences. Thompson said Bush, who is to meet with the congressional negotiators this afternoon, would seek to place pressure on them to complete the work but would refrain from setting a deadline.

In the debate prior to last month's House and Senate votes, the CBO had privately told congressional staff members that it was far more pessimistic than administration officials about the allure of private health plans to older patients.

Specifically, the analysis estimates that 11 percent of the patients in Medicare probably would sign up for some kind of private health plan if the House bill were to become law. That bill would put a heavy emphasis on private-sector competition. It would pay HMOs more than the Senate version to encourage them to accept Medicare patients, and starting in 2010, would require the original fee-for-service version of the program to begin competing for patients based on price, a provision that some Democrats contend would undermine the program's traditional form.

The CBO estimates that 9 percent of Medicare patients would sign up for a private plan under the Senate bill.

In either case, the enrollment would be lower than it is today. According to Medicare statistics, 12 percent of Medicare patients obtain care through HMOs, and an additional 1 percent belong to various other private health plans.

In contrast with the CBO's predictions, a memo from the Medicare program's chief actuary dated June 26 -- the day that both chambers voted -- estimated that "roughly 43 percent" of Medicare patients would belong to some kind of private health plan by 2010.

"I've never seen such a big difference in judgment," Thomas A. Scully, administrator of the Centers for Medicare and Medicaid Services, said yesterday. Scully said the difference stemmed from a disagreement over whether private health plans would prove less expensive to run than the traditional version of Medicare, and thus able to offer patients lower premiums.

Low enrollment in private health plans would not automatically affect patients' ability to obtain drug coverage.

Under both bills, Medicare patients could receive such coverage either through a private plan or by buying a new kind of insurance policy that covered only drugs.

Paradoxically, the CBO's forecast, while disagreeing with the administration's, lends support to a central aspect of a blueprint for revising Medicare that Bush proposed last winter. The White House wanted to try to draw patients into private health plans by offering relatively generous drug coverage only to patients willing to join them -- but essentially discarded that idea after congressional Republicans balked, insisting that long-promised drug benefits should be available to everyone in Medicare.

http://story.news.yahoo.com/news?tmpl=story&cid=534&ncid=534&e=4&u=/ap/20030722/ap_on_go_co/medicare_congres

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Medicare Bills Exceed Bush Spending Limit (AP)

By David Espo

The Associated Press, July 22, 2003

WASHINGTON - The rival Medicare prescription drug bills that cleared the two houses of Congress last month both exceeded President Bush (news - web sites)'s spending limits, officials said Tuesday in disclosures likely to complicate efforts to reach a compromise.

The Congressional Budget Office (news - web sites) tentatively calculated the Senate-passed measure at \$462 billion over 10 years, including \$40 billion for one provision that aides said is now likely to be jettisoned. The cost of the House-passed bill was pegged at \$408 billion.

Bush has placed a \$400 billion, 10-year limit on legislation to add prescription drug benefits and modernize the 38-year-old health care program for seniors.

Key House Republican committee chairmen who disclosed the new estimates pledged that any compromise would be within the limit set by the White House. "We remain committed to strengthening and improving Medicare," said Reps. Bill Thomas, R-Calif., and W.J. Tauzin, R-La.

Sen. Charles Grassley (news, bio, voting record), R-Iowa, the lead Senate negotiator, agreed. He also said he hoped Bush would set a firm date for wrapping up compromise talks.

The new cost estimates came as negotiators for the two houses reported progress toward agreement on a technical, relatively uncontroversial section of the legislation dealing with Medicare contracting, patient appeals and other regulatory matters. Senior lawmakers hope to be able to announce a tentative agreement on that portion of the legislation within a day or two, as part of an effort to demonstrate tangible progress before Congress begins a long summer vacation.

Additionally, Bush has invited key lawmakers to the White House for a meeting on Wednesday to underscore his determination to sign Medicare legislation this year.

Both houses approved legislation earlier this year to add a prescription drug benefit to the program and, at the same time, to provide for greater competition. Private companies would be invited to set up health care plans to compete with traditional Medicare, part of an effort the administration and Republicans say is essential to give seniors better choices as well as improve the financial condition of the program.

The two bills vary greatly in their details, and the way to a final compromise is compounded by political differences that have produced gridlock for several years.

Tommy Thompson, secretary of the Department of Health and Human Services (news - web sites), told reporters he was optimistic about a final compromise this year, although he cautioned, "there's nothing definite" in lawmaking.

On one area of the bill, he said he hoped key lawmakers would be able to give the administration advice in several weeks on the likely details of a plan to make prescription drug cards available to seniors. Both bills would allow seniors to purchase the cards in 2004, enabling them to buy drugs at a discount.

Both bills would provide federal subsidies to low-income seniors through the card, meaning that Thompson's agency would need access to personal income data to know who qualified. "We've started working with (the) Social Security (news - web sites) (Administration) and Treasury," in anticipation of passage of legislation, he said. "We need that information quickly."

In the House, both parties are already maneuvering for political advantage on the issue. Democratic lawmakers held an estimated 75 town hall meetings in their districts last weekend, designed to point out flaws in the Republican-passed measure and tout a costlier alternative with a richer drug benefit.

House Majority Leader Tom DeLay, R-Texas, told reporters during the day that Republicans would be holding 80 town hall meetings of their own during Congress' August vacation, aimed at building support for the GOP measure.

The new spending estimates will form the basis for the final negotiations between the House and Senate. They mean that spending will have to be reduced to bring any final bill under Bush's budget limits or offsetting savings will have to be found.

Officials said one provision in the Senate-passed measure alone accounted for \$40 billion over 10 years in the CBO calculation. It would require pharmacy benefit managers, the companies that administer drug coverage programs and negotiate for discount

Report: Boxing Rules Too Inconsistent (AP)

By Siobhan McDonough

The Associated Press, July 22, 2003

WASHINGTON - Inconsistent regulation of boxing has led to permanent and sometimes fatal injuries, economic exploitation of boxers and corruption, congressional investigators said Tuesday.

The General Accounting Office (news - web sites) report found professional boxing is regulated predominantly on a state-by-state basis, which often results in varying degrees of oversight.

The lack of consistency among state commissions does not adequately assure professional boxers even minimum protections established in federal law, said the GAO, the investigative arm of Congress.

Last week, in Cedar City, Utah, a 35-year-old boxer collapsed in the ring and died. The victim had previously been defeated 25 consecutive times over a 3-year period, but the local boxing commission allowed him to enter the ring.

The GAO's conclusions and the latest tragedy are further evidence of the need for uniform minimum standards for boxing, said Sen. John McCain, R-Ariz., chairman of the Commerce, Science and Transportation Committee.

McCain has proposed a bill that would create a federal regulatory agency to set standards for the boxing industry. The Senate Commerce Committee approved the bill in March, and it is awaiting full Senate consideration.

Boxing is the only major professional sport in the country without a central regulatory authority. There is no other major professional sport in which the rules and regulations vary so widely, the report said.

The Association of Boxing Commissions, a nonprofit organization representing 46 state and 8 tribal boxing commissions, promotes health and safety provisions but has no enforcement authority over its members, the GAO said.

The 1996 Professional Boxing Safety Act established minimum health and safety standards for professional boxing and provided for limited federal oversight by the Justice Department (news - web sites) and Federal Trade Commission. The Muhammad Ali Boxing Reform Act of 2000 amended the 1996 act to better protect boxers and the integrity of the sport.

Still, the GAO said, "Although the sport has generated enormous wealth for others, many professional boxers have been left penniless."

The GAO recommended:

- _Requiring pension plans for boxers.
- _Full disclosure of purses and payments.
- _Minimum uniform contractual terms between boxers and promoters.
- _Prohibiting conflicts of interest.
- _Requiring registration and training for judges, referees and others.
- _Preventing sanctioning organizations from exercising influence in the selection of judges.
- _Establishing uniform boxing and scoring rules.

Push Stalls For Low-Income Tax Fix (WSJournal)

Democrats' Child Credit Slips Off Bush's Radar as Congress Wrangles

By SHAILAGH MURRAY and GREG HITT

The Wall Street Journal, July 23, 2003

WASHINGTON – A Democratic-led effort to spread tax benefits further down the income ladder is fading. And that's just fine with many Republicans.

The issue has been a thorn in Republicans' side since Congress passed a \$350 billion tax bill in late May. The legislation increased the child tax credit by as much as \$400 a child, but not for certain low-income families, who don't pay taxes and instead were to receive a subsidy check from the Treasury. Democrats had sought to include the \$3.5 billion benefit, but Republicans rejected it in favor of breaks for investors and middle- and upper-income taxpayers.

Democrats seized on the omission as a billboard for Republicans' elitist fiscal policies. Republicans promised to correct the slight -- after some goading from President Bush, who lectured Congress to add the low-income benefit.

On June 9, for example, a Bush spokesman strongly endorsed the Senate bill and prodded House Republicans to act quickly. "His advice to House Republicans is to pass it, to send it to him so he can sign it," said then-press secretary Ari Fleischer. He echoed a similar theme eight days later: "The president's message to the Congress is unequivocal. The president wants to sign the child credit into law."

But House and Senate negotiators never met on the compromise, underscoring how quickly momentum can ebb in Washington. In the weeks since the child-credit fight broke out, Congress has been distracted by the Medicare debate, new fighting in Iraq and the storm of controversy over the White House's use of now-discredited intelligence on Iraq's alleged pursuit of uranium in Africa.

Mr. Bush's new press secretary, Scott McClellan, said Tuesday that the president favors the child-credit expansion, and said White House officials are working "publicly and privately" to move the initiative along. "That remains a priority," Mr. McClellan said.

The urgency hasn't been conveyed to Senate Finance Chairman Charles Grassley (R., Iowa), who said it has been awhile since he has heard from the White House on the child-credit issue -- though his staff has been in touch with the White House on the matter. In a letter to House leaders, the Iowa Republican made a final stab Tuesday at trying to resolve the issue before

Congress leaves for its August recess. Sen. Grassley proposed beefing up the Senate bill with some House provisions, including extending the increase in the child credit through 2007.

The Senate approved adding the low-income benefit on June 5; the House followed a week later with a much bigger package that expanded the child tax credit for lower- as well as upper-income families. An ideological war ensued. Democrats accused Republicans of being heartless, while Republicans grumbled that the Internal Revenue Service isn't a welfare office, and that tax cuts ought to go to taxpayers.

Rhetoric aside, the big issue the two sides are stuck on – seemingly intractably – is how to pay for the benefit. Democrats want to neutralize the cost with tax or fee increases; Republicans, especially in the House, are opposed to such offsets.

News that the government is running a record budget deficit "enhances the validity of the offset position," said Sen. Olympia Snowe (R., Maine), an ally of the Democrats on the child-credit issue. Sen. Blanche Lincoln (D., Ark.) said that as much as she wants the additional benefit, "this is not an excuse to increase the debt on our children."

Sens. Lincoln and Snowe, the two Senate ringleaders, vow to keep up the pressure in their chamber. In the House, Democrats are threatening to disrupt floor action if the matter doesn't come to a vote before Friday, when the House recess is scheduled to begin.

House Republicans said they are willing to compromise, but they haven't blinked yet, either. House Majority Leader Tom DeLay called Mr. Grassley's offer "very interesting." But House Republicans are no warmer to offsets, and they continue to insist that the benefit be expanded for upper-income families, too.

"Nothing's going to get done if we don't sit down and talk," said Mr. Grassley.

Compromise To Expand Child Tax Credit Pursued (WPost)

The Washington Post, July 23, 2003

Senate Republicans working to expand the child tax credit for more low-income families tried to spur talks with the House yesterday with a first offer for compromise.

"I think we ought to get it done this week," said Sen. Don Nickles (Okla.), one of the Republicans appointed to negotiate a compromise.

In a letter to House Majority Leader Tom DeLay (R-Tex.) and Ways and Means Committee Chairman Bill Thomas (R-Calif.) the Senate Republicans said they could accept some parts of the House bill, including bigger tax credits for wealthier married couples and tax breaks for military personnel.

The senators did not insist that the product match the Senate's bill by raising enough revenue to pay for the entire tax cut. They did ask negotiators to discuss offsetting part of the cost.

DeLay said he did not think House Republicans will support a child tax credit bill that does not extend the benefit through the decade.

The White House said that expanding the child tax credit remains a priority, and that it is urging Congress "publicly and privately" to act.

Deal Offered On Child Tax Credit (NYTimes)

By DAVID FIRESTONE

The New York Times, July 23, 2003

WASHINGTON, July 22 - Senate Republicans offered a compromise to the House today intended to end the stalemate blocking an expansion of the child tax credit to low-income families, but Democrats said the proposal's benefits for wealthier families were too expensive to pass.

The offer came with an increase in political activity just four days before the government will begin mailing \$400-per-child checks to 25 million middle-income families eligible to receive the tax credit. On Thursday, President Bush is scheduled to visit a federal office in Philadelphia that is printing the checks, using the opportunity to remind voters that the checks are to stimulate the economy.

Democrats plan a series of protests on and off the floors of Congress this week to demonstrate their anger that 6.5 million low-income families were left out of the economic stimulus package and will not be receiving the checks. Representative Nancy Pelosi of California, the Democratic leader, said members of her party would make this "the week from hell" for Republicans. On Wednesday, as part of one protest, 700 children are scheduled to descend on the Capitol to make a similar point.

Today's compromise proposal, made by the three Republican senators who are negotiating with the House on the credits, would give the \$400-per-child credits to the 6.5 million minimum-wage families, a provision that would cost \$3.5 billion. But the plan would also spend \$20 billion to give increased credits to 25 million middle- and upper-income families from 2005 to 2007. The increase, to \$1,000 from \$600, is now scheduled to expire in 2005.

The proposal would also increase the tax credit through 2007 for millions of families making more than \$110,000, a measure that would cost about \$10 billion to \$12 billion, Republican tax officials said. The full child credit is currently not available to most families at that income level.

The overall proposal would cost about \$50 billion during the next 10 years, which is much more expensive than the \$10 billion bill passed overwhelmingly by the Senate seven weeks ago. But House Republicans, who object to giving the credit to low-income families who do not pay federal income tax, have insisted on a much broader package of tax cuts for middle- and upper-income families that would cost \$82 billion.

Although today's proposal moves much closer to the House bill, its size is likely to raise serious problems for many Democrats and moderate Republicans in the Senate. Most senators have said they want any tax credit package to be paid for with increases in fees so it does not raise the federal deficit, already at record levels. The costs of today's proposal would be only partly offset by fees, and thus may not be able to summon a majority in the Senate.

Senator Charles E. Grassley, Republican of Iowa and the principal author of the plan, acknowledged that a majority of the Senate did not want the package to add to the deficit, but he said it was necessary to put an offer on the table to get the stalled talks moving.

"Nothing will get done if we don't sit down and talk," Mr. Grassley, chairman of the Finance Committee, said. "At least it's less expensive than what the House passed."

He added that he hoped to get the issue settled by the end of the week, when the House leaves for its August recess.

That seemed unlikely, though, after Senate Democrats and House Republicans alike expressed disagreement with the plan.

"This is not an excuse to increase the debt on our children," said Senator Blanche Lincoln, Democrat of Arkansas and the chief proponent of the expanded credits. "It's an opportunity to provide something fair and equitable to the 12 million children who belong to working families in this country."

Although President Bush has said he wants the House and Senate to reach agreement on providing the credits to low-income families, the White House has not yet moved to broker a compromise, despite weeks of political criticism from religious groups, Democrats and advocates for children. Almost every day for the last two weeks, House Democrats have introduced a measure that would prod the conference committee to accept the original Senate bill, but Republicans have defeated each resolution.

Democrats have said that House Republicans know full well that the Senate will not pass another tax package this year that adds to the deficit, and they have accused Republicans of throwing in the other tax breaks as a kind of poison pill to prevent the entire package from being passed. House leaders say that if the Democrats want to give credits to people who do not pay income taxes, they must also be willing to cut taxes further for those who do.

GOP Leaders, Conservatives Split On Balanced-Budget Amendment (The Hill)

By Alexander Bolton

The Hill, July 22, 2003

A soaring federal budget deficit has prompted a group of 50 conservative House Republicans to revive the fight for a balanced-budget amendment to the Constitution, but to their surprise they have run into resistance from their party leadership.

A nearly identical proposal for an amendment to require a balanced budget was a central component of the Contract With America, the document that provided the ideological foundation of the 1994 revolution, which swept Republicans into power in the House after 40 years in the minority. But after eight and a half years in power, a period in which the budget surplus climbed to \$236 billion and then plummeted, resulting in today's \$455 billion projected deficit, GOP leaders have no appetite for bringing the amendment to the floor.

Instead, fiscally concerned conservatives are finding allies across the aisle. In recent weeks, centrist Democrats have launched a discharge petition to force Republican House leaders to bring the amendment up for a vote.

"The challenge is to get it to the floor," said Rep. Ernest Istook, Jr. (R-Okla.). "The leadership still requires some persuasion."

He is the sponsor of the bill, H.J. Res. 22, and a founder of the Republican Study Committee, a group of about 85 House conservatives.

He said that a vote on the constitutional amendment is critical for determining who are the real fiscal conservatives in Congress.

"Some people are masquerading as fiscal conservatives," Istook said of colleagues who criticize government spending yet vote for expensive legislation, such as the Medicare prescription drug bill or last year's farm bill. "If there are people trying to have it both ways, they need to be smoked out."

A number of conservatives view passing a balanced-budget amendment as one of their highest priorities.

"I'm aggressively doing everything I can to get it to the floor for a vote," said Rep. John Culberson (R-Texas). "I think it's the single most important piece of legislation in light of our \$7 trillion debt."

The proposed amendment would place strict curbs on deficit spending by making it unconstitutional for the federal government to spend more than it collected in revenues unless Congress, by a three-fifths vote of each chamber, authorized it.

House Majority Leader Tom DeLay (R-Texas) denied the assertion by several conservatives that the leadership has resisted scheduling a vote on a balanced budget amendment.

"I schedule the votes and there's no resistance that I know of," said DeLay.

When asked if he would schedule a vote on an amendment, DeLay said: "If I could pass it, definitely."

However, DeLay acknowledged that amending the Constitution is a drastic measure: "I always have an aversion to amending the constitution, but if that's the only way we could put into place a balanced-budget amendment, that's what we're going to do."

"It's a useful exercise to put people on record for a balanced budget, but it ain't going to pass," he said.

But supporters of such an amendment counter that it would pass overwhelmingly, and note that the proposal has 113 cosponsors, including a large bloc of Democrats, and received more than 300 votes when it last came to the floor, in 1995.

Ed Lorenzen, legislative director for Rep. Charlie Stenholm (Texas), the preeminent Democratic budget hawk in the House and a co-sponsor of Istook's bill, said Republican leaders have not provided the support for the constitutional amendment they promised earlier this year.

Lorenzen said that when Istook approached his boss about co-sponsoring the measure earlier this year, he said he had a commitment from GOP leaders that they would hold a floor vote by July 4. That has yet to happen.

"As partisan control of Congress changes and perceptions of who's to blame for the deficit changes, there's naturally some reluctance to bring up a balanced-budget amendment like this," said Pete Sepp, spokesman for the National Taxpayers Union, which has been heavily involved in the issue.

Shortly before the Independence Day recess, Democrats launched a discharge petition to force the issue.

So far, 17 conservative Democrats have signed it.

One GOP leadership aide speculated that Republican leaders probably supported a balanced budget amendment in theory but that it would make little political sense to schedule a vote on the issue when the federal government is projected to run up a deficit substantially higher than the previous record, \$290 billion, from 1992.

Doing so might open the party to charges of hypocrisy.

Sensing the opportunity for political gain, more and more Democrats are beginning to latch onto the idea of passing a balanced budget amendment.

A poll conducted earlier this year by the polling firm Fabrizio, McLaughlin and Associates for the National Taxpayers Union found that nearly 7 out of 10 registered Democrats supported the idea.

But a number of House Republicans are concerned enough about the surging deficit to support a measure even if Democrats would use it as political fodder.

"I don't like deficits, and what has happened around here has gotten a little out of control," said Rep. Vern Ehlers (R-Mich.).

Needed: A Deficit Lecture, Perot-Style (WPost)

By David S. Broder

The Washington Post, July 23, 2003

Where is Ross Perot now that we need him?

That was the thought that crossed my mind when the Bush administration announced last week that the budget deficit for the current year would hit a record \$455 billion and grow next year to \$475 billion.

Josh Bolten, the new budget director, pronounced the deficits "manageable," but almost everyone who is not directly engaged in defending them found the long-term implications of the massive borrowing scary as hell. The Concord Coalition, a bipartisan budgetary watchdog group, gave Congress and the administration an "F" on fiscal policy, saying it was characterized by "deficits, deception and denial."

"More alarming than the growing short-term deficit," its report said, "is policy-makers' growing willingness to justify deficits of this size as 'moderate and manageable.'"

Carol Cox Wait, the Republican president of the bipartisan Committee for a Responsible Federal Budget since it was founded in 1981 to battle "the specter of historically large, seemingly endless, structural budget deficits," chose last week to announce her resignation, explaining, "I have been there and done that."

And the liberal Center on Budget and Policy Priorities (CBPP) said that even if the economy recovers in the next year, as the administration assumes, annual budget deficits will not come down below \$300 billion -- and then balloon after 2008 when the baby-boom retirees begin draining Medicare and Social Security.

With lots of data, all these groups argue, as CBPP puts it, "The current fiscal policy path is neither manageable nor sustainable."

That was true of the deficits that built up under Ronald Reagan and the first George Bush -- but then, as now, the figures were so enormous and the discipline so lacking at either end of Pennsylvania Avenue that the public threw up its hands in exasperation.

Until Ross Perot, the eccentric Texas businessman, turned his quixotic 1992 presidential campaign into a TV seminar on the fatal consequences of runaway deficits. By buying half-hour chunks of prime time, and using simple charts to illustrate his folksy translations of economic jargon, he brought home to people the fundamental indecency of saddling the next generation of Americans with staggering debt because of our unwillingness to pay our bills.

Bill Clinton, who had started his campaign that year by promising a middle-class tax cut, caught the shift in public opinion and launched his presidency with a call for tighter fiscal policy -- including a top-bracket tax increase. Republicans, who for 12 years had enthusiastically cheered the fatal combination of tax cuts and big defense and domestic spending increases, also came to their senses. When they took over Congress in 1994, their freshmen invited Perot to an early caucus, and they launched a drive for balanced budgets that Clinton had no choice but to join.

And for a few brief years at the end of the 1990s, we enjoyed a "virtuous cycle" of budget surpluses that reduced the national debt and the government's annual interest payments. But now both are spinning out of control again.

So we need another Perot -- not as an independent presidential candidate but as an explainer with enough financial backing to commandeer TV time and enough political smarts to put it in ways that all of us can understand.

I can think of a couple people right away who fit the bill, and maybe they could combine their talents. One is Warren Rudman, the independent-minded former senator from New Hampshire, a Republican who wrestled with budget issues on Capitol Hill in the 1980s and now is co-chairman of the Concord Coalition.

The other is Leon Panetta, the equally independent-minded California Democrat who, as chairman of the House Budget Committee, Clinton administration budget director and later White House chief of staff, had hands-on experience in bringing down the deficits.

I haven't broached this notion to either man, and both of them are plenty busy with other projects. But I have to believe that if super-investor Warren Buffett, Microsoft honcho Bill Gates, Sandy Weill, the retiring CEO of Citigroup, Bob Rubin, the former treasury secretary and Wall Street powerhouse, and others like them -- including Perot -- raised the money for such a media campaign, Rudman and Panetta would seize the opportunity.

They know that this is not a matter of partisanship but a problem that can cripple the future for our children and grandchildren and compromise this country's ability to play its role in the world.

The way to change the government's policy, as Perot demonstrated, is to inform the people -- and let them tell their leaders what must be done.

We're at that point again.

Butting Heads With The Pentagon (NYTimes)

By LESLIE WAYNE

The New York Times, July 23, 2003

There is no better friend of the Pentagon than Duncan Hunter, chairman of the House Armed Services Committee. A conservative and a hawk on defense, Mr. Hunter has long been someone the military could count on to push its dream projects through Congress.

So there is considerable dismay, and some outright consternation, over sweeping "buy America" provisions that Mr. Hunter inserted into the House version of legislation authorizing the coming year's Pentagon budget. Countries that failed to help the United States in the Iraq war, he argues, should not enjoy the spoils of American military contracts or put the Pentagon in a position of depending on them for critical components.

That view has set Mr. Hunter on a collision course with his many friends at the Pentagon and among American military contractors that buy everything from microprocessors to jet engines and airplane wings overseas. Mr. Hunter's proposal would cut back sharply on the foreign content allowed in American military goods as well as provide a laundry list of items - from fuses to machine tools to airplane tires - that only American companies could supply.

Opposition to Mr. Hunter's proposal is so fierce that the defense secretary, Donald H. Rumsfeld, has said he will recommend that President Bush veto the entire \$400 billion 2004 Pentagon budget if Mr. Hunter does not back down. According

to a White House statement, Mr. Hunter's proposals are "burdensome, counterproductive and have the potential to degrade U.S. military capabilities."

Such harsh words hardly faze Mr. Hunter, a 12-term California Republican and former Army Ranger, who is joined by other conservative House members and a number of small companies and unions that might benefit. At the moment, for all the power - and fury - of his opponents, Washington analysts say Mr. Hunter will most likely get some of what he wants.

"If the American worker is going to pay for the defense of the free world," Mr. Hunter said in an interview, "he should participate fully in the manufacture of military goods. This is a warning shot, a red flag. We need to have domestic sources for critical military components. No one argues with that. We just differ in the details."

This Washington tale is rich in ironies. An administration that has been criticized for a go-it-alone attitude toward foreign affairs is now promoting more global military trade and claiming, in the White House statement, that Mr. Hunter's efforts would "undermine our efforts to promote cooperation with our allies."

Meanwhile, the military contractors who have lavishly contributed to Mr. Hunter's political campaigns over the years are now finding that they have helped elect someone who is working against their interests - and their ability to buy from cheaper foreign suppliers. Moreover, the White House risks alienating an important constituency by opposing a prominent conservative, especially over an issue freighted with patriotism.

Foreign governments have weighed in as well, especially the British, whose contractors would be lumped in with the rest of the world, despite Britain's stalwart participation in the Iraq war. In a letter to Mr. Rumsfeld, the British defense secretary, Geoff Hoon, called the proposal "potentially very damaging" and said it "would seriously undermine our ability to work together." The Dutch government called it a "great leap backward," while the NATO secretary general, Lord Robertson, said it would threaten "political unity."

Yet for all the concern from Britain specifically, Michael Harrison, a spokesman for Mr. Hunter, said "buy America" would help, not hurt, because a stronger United States military meant America would be a better ally to Britain.

As a practical matter, such cross-border programs as the Joint Strike Fighter, a \$200 billion joint venture by the United States and Britain to build a new fighter jet and sell it globally, would be jeopardized. Other programs would be equally hard to unscramble - for instance, the Army's new light armored vehicle, the Stryker, designed in Switzerland and being assembled in Canada for an American company. The F-16 fighter jet, made by Lockheed Martin almost exclusively for export, draws parts from dozens of countries.

On Capitol Hill, taking on Mr. Hunter is a delicate matter, especially for military contractors. Besides his pro-military credentials, the committee of which he is chairman controls the Pentagon purse strings and wields enormous power over how billions in military contracts are awarded.

"It's hard to oppose someone you like. That's made it difficult for everyone," said John W. Douglass, chief executive of the Aerospace Industries Association, which represents big contractors. "It's so awkward. We're so torn."

The military industry instead is taking its case to John W. Warner, the Virginia Republican who is chairman of the Senate Armed Services Committee. Some 25 top executives of military contractors - among them Boeing, Lockheed and Raytheon - met with Senator Warner last week to lobby in what they felt was a more sympathetic forum.

The version of the Pentagon budget that the Senate passed last Thursday does not include buy-American provisions - in fact, it has language making it easier for American military contractors to buy from six allies: Britain, Australia, Spain, the Netherlands, Sweden and Norway.

In a statement, Senator Warner said that while the Senate bill recognized that the "overwhelming bulk" of the Pentagon budget would be spent on American-made products, "our forces need the flexibility to procure the best of existing technology and avail themselves of the strength of the global market." The measures are now before a House-Senate conference committee whose members include Mr. Hunter and Mr. Warner.

With little fanfare and no public hearings, the buy-America proposals were inserted into the House version of the Pentagon budget in May.

Besides requiring that some military goods be made only in America, the provisions that Mr. Hunter is championing would raise domestic content requirements for Pentagon purchases to 65 percent from 50 percent - a substantial increase on multibillion-dollar contracts. It would also become more difficult to purchase certain specialty metals - mainly titanium - from foreign suppliers, particularly Russia.

Not everyone opposes Mr. Hunter. The steel industry and the steelworkers union, the machine tool industry, apparel and footwear manufacturers, some electronics makers and American shipbuilders have voiced support. So has the 20-member House defense industrial base caucus, which advocates for small manufacturers.

"I'm really glad to see this attempt by the House Armed Services Committee coming to light," said Timothy G. Rupert, chief executive of RTI International Metals, an Ohio company and one of three domestic titanium suppliers.

In a letter being circulated in Congress, Leo W. Gerard, president of the United Steelworkers of America, says, "American steelworkers are also American taxpayers and they do not want their tax dollars going to subsidize the export of their jobs!"

The opponents are equally fervent. "This is incredibly ill conceived," said Loren Thompson, an analyst at the Lexington Institute, a conservative research firm in northern Virginia. "The cost of weapons would go up astronomically. No one has a rigorous estimate of what the buy-America provisions could cost taxpayers. But it certainly would be in the many billions of dollars."

The Pentagon is pulling out all the stops. An internal Pentagon analysis said Mr. Hunter's proposal would have "catastrophic effects."

The machine tool provisions alone - replacing foreign with American tooling - would cost \$7 billion to \$10 billion in the next five years or so, the analysis estimated. Some military production lines would have to be shut down, it said, costing 46,000 jobs until domestic machine tool capacity increased. At one Raytheon plant in Texas, for instance, 95 percent of the machine tools used to assemble missiles are foreign made.

Foreign-content reductions would "jeopardize dozens of programs," according to the Pentagon. For instance, British engines and propellers are used in the C-130J transport.

"The reason we are taking this seriously is because the unintended consequences of this legislation are so egregious," said Suzanne D. Patrick, deputy under secretary of defense for industrial policy. "Our biggest concern is that the defense industrial base be able to supply quality equipment to our war fighters currently and in the future."

"We're not careening out of control in giving big dollops of defense business to foreign countries," she added. "We do it when there is superior quality, a better price and better delivery terms."

Often, only foreign suppliers produce specialized electronic equipment critical to the military. "It could be a hand-held sensor that is very important," she said, "and the only maker is Japanese or Taiwanese."

Credit Card Industry Steps Up Lobbying (Roll Call)

By Sarah Bouchard

Roll Call, July 23, 2003

The nation's credit card industry is bankrolling a massive lobbying campaign on Capitol Hill to ensure banks, retailers and credit card companies continue to be governed by a single set of national regulations.

Relying on a new lobbying coalition, a set of pricey lobbyists and an innovative tactic, the credit industry hopes to renew a law that lets it avoid the hassle of 50 separate sets of state-imposed regulations on the industry.

The law, added to the Fair Credit Reporting Act in 1996, will sunset at the end of the year.

If it expires, banks, credit bureaus, retailers and other financial service organizations would suffer 'very serious' consequences because state regulators would replace the federal government in overseeing credit information sharing, said Ken Clayton, of the American Bankers Association, the nation's largest banking trade organization.

The Senate Banking, Housing and Urban Affairs Committee plans to hold the final two of six hearings on the issue next week before introducing a bill after the August recess. The House Financial Services Committee plans to mark up the legislation today.

The measure is 'job No. 1 of the committee,' said Scott Duncan, a spokesman for the House panel.

Meanwhile, the credit industry has been aggressively urging Congress to reauthorize federal control of industry regulations.

Citigroup, TransUnion and Capitol One have spent thousands of dollars flying key Congressional aides to a handful of conferences around the country to bring them up to speed on the issue.

More than 10 staff members attended each conference, according to disclosure forms filed with Congress, most of which were aides working for lawmakers on the Financial Services and Banking committees.

"It's a critical issue for our company and our industry," said TransUnion spokesman Jeffrey Junkas. About 20 staffers attended TransUnion's late-February symposium in Crum Lynne, Pa., costing the company about \$650 a person, according to disclosure forms.

After introductory speeches and a tour of the facility, the staffers were treated to three panels: 'Impact of FCRA Preemption Loss on Risk Assessment,' 'Impact of FCRA Preemption Loss on Consumer Credit' and 'Impact of FCRA Preemption Loss on new applications of consumer report information,' according to a symposium agenda.

Citigroup spent about \$1,500 a pop to send Hill staffers to its conference, which took place at the end of January in The Lakes, Nev. The three-day tour included sessions ranging from an 'Overview of Citi Cards and Role of Card Industry in Economy' to the 'Importance of the Fair Credit Reporting Act.'

Perhaps the most posh of the three was a conference sponsored by Capital One in early March at the Don CeSar Beach Resort and Spa in St. Pete Beach, Fla.

Panelists included Lisa McGreevy of the Financial Services Roundtable, Floyd Stoner of the American Bankers Association and a group of Capital One executives.

Aside from the travel, the credit industry has pumped thousands of dollars into Members' re-election accounts and signed up a team of new lobbyists.

TransUnion, for example, hired Sidley Austin Brown and Wood to pick up 'some additional feet on the street," according to Junkas.

The industry also formed a lobbying alliance, the Partnership to Protect Consumer Credit, which has recruited its own team of well-connected lobbyists. The partnership signed up Ed Gillespie, who has since stopped lobbying to prepare for becoming Republican National Committee chairman. The account will be taken over by other lobbyists from his firm, Quinn, Gillespie and Associates.

Two other lobbying shops - Williams and Jensen and Griffin, Johnson, Madigan, Peck, Boland, Dover & Stewart - are also on the organization's payroll.

Partnership members include retailers, small businesses, mortgage lenders, investment and banking firms, and credit card companies, such as the U.S. Chamber of Commerce, Capital One, Citigroup, JP Morgan Chase and MasterCard.

Meanwhile, the Financial Services Roundtable, a national association that represents the nation's largest financial services companies, has been a vocal supporter of extending the national standards.

At a press conference last week, the Roundtable released a report from the Perryman Group, a Texas-based consulting firm, that says the gross domestic product could drop by 2 percent if the states' pre-emption sunsets.

Rep. Spencer Bachus (R-Ala.), the author of the House bill that will be marked up today, compared the national credit system to the national interstate system.

'Just like we don't want to put traffic lights on our interstate [highway] system," Bachus said, 'we want to do the same for credit."

But some organizations and lawmakers do not agree, and a handful of groups are fighting just as vehemently to allow states to adopt their own standards for sharing credit information.

Stephen Brobeck, executive director of the Consumer Federation of America, said his organization's 'most important effort is to try to convince Members to support strong consumer protections."

He added that although the act includes 'important new consumer protections," the CFA does not believe they are sufficient to permanently thwart state regulations.

Brobeck described a 'coalition effort" by his organization and members to lobby Congress to add additional consumer protections and not permanently grant control of credit information to the federal government.

Chris Hoofnagle of the Electronic Privacy Information Center said that although his organization does not lobby, there are many avenues to prevent this legislation from passing.

He noted that there are not many legislative days left this year, and the few that remain could easily become occupied with another issue.

Hoofnagle added that 'the Senate clearly is not going to move that quickly."

If Congress does not pass the reauthorization included in the Bachus bill, Hoofnagle said, the pre-emption will end 'and the states will experiment."

Hoofnagle said the current pre-emption handcuffs state legislatures and concentrates power in Washington.

'There needs to be structural changes," Hoofnagle argued, and states have historically served as successful testing grounds.

Opponents also claim the Bachus bill does not fix problems with the Fair Credit Reporting Act that allow mistakes in consumers' reports, does not give consumers adequate rights to clear up errors, does not sufficiently deter identity theft and does not protect medical privacy.

But supporters maintain that the national standards allow more people to get credit, thereby stimulating the economy.

'The national uniform credit reporting system has lowered costs and increased choice and convenience for American consumers," Bachus said in a statement shortly after the bill was introduced. 'But by far the most striking result of our national credit reporting system is the dramatically increased availability of credit - what has been called the democratization of credit."

In addition to permanently extending the states' pre-emption, the Bachus bill backers say their legislation would help consumers detect and correct fraudulent information, increase consumer awareness of their rights if they fall victim to fraud or identity theft, improve accuracy by cracking down on reintroducing wrong information, give consumers the right to obtain their credit information and simplify consumers' ability to limit unsolicited credit offers.

Timothy Muris, chairman of the Federal Trade Commission, said in testimony before the House Financial Services Committee earlier this month that 'preliminary research indicates that allowing the national standards to expire could have deleterious effects for consumers.'

OTHER NEWS:

Powell Endorses Liberian Peacekeeping Role (WPost)

U.S. Forces Would Support West African Contingent; Timing Remains Unclear
By Vernon Loeb

The Washington Post, July 23, 2003

Secretary of State Colin L. Powell yesterday pledged support for a West African peacekeeping operation in Liberia after speaking by telephone with U.N. Secretary General Kofi Annan.

But the Bush administration continued to resist entreaties from Annan to promptly announce plans to deploy U.S. peacekeeping forces and "spare no effort" in supporting a "vanguard" contingent from Senegal, Nigeria and other West African states.

As rebel factions attacking Monrovia announced a cease-fire, Powell told reporters that President Bush had promised to support the West African peacekeepers and determine "what else might be appropriate to do."

Powell's spokesman, Richard Boucher, explained later that any decision to deploy peacekeepers first must be made by member nations from the Economic Community of West African States.

"I think you'll have to ask the West Africans what sort of conditions they would believe they could go in under," Boucher said, adding that rebel factions and the government of Liberian President Charles Taylor must also be held accountable for abiding by the terms of a recent peacekeeping agreement negotiated in Ghana. "It's hard to keep the peace if there's no peace to keep."

But humanitarian relief officials and some policy analysts faulted the administration for waiting on the West Africans to fashion a solution and for not assuming a leadership role. The violence in Liberia has claimed the lives of hundreds of civilians and interrupted food distribution to hundreds of thousands.

During a recent trip to the continent, Bush publicly spoke of the need to bring peace to Africa. However, said Kenneth H. Bacon, president of Refugees International, "he has steadfastly refused to take a leadership role. We should care about [the situation in Liberia] for humanitarian reasons, and yet we're not leading."

William H. Twaddell, who served as chief of the U.S. mission in Liberia from 1992 to 1995 before retiring from the State Department three years ago, acknowledged that a U.S. peacekeeping contingent would need to coordinate closely with West African peacekeepers.

"But there are some things we can provide that are unique," Twaddell said. "One is that important airlift – the ability to get ourselves and other forces on the ground. We're darn good on the logistics, and symbolically everybody is clamoring for the Americans to step up to the bat. In some ways, it's overdue."

Defense Secretary Donald H. Rumsfeld signed an order Saturday directing an amphibious group led by the USS Iwo Jima carrying 2,200 Marines to move from the Red Sea into the Mediterranean so it can continue to Liberia if Bush decides to send troops ashore.

The Iwo Jima, a helicopter carrier, the USS Carter Hall and the USS Nashville, transporting the 26th Marine Expeditionary Unit, would not arrive off the coast of Liberia until early August, a Marine spokesman said.

A day after Rumsfeld signed that order, he dispatched a 21-member Marine security team from Rota, Spain, to back up an earlier, 35-man Marine detachment guarding the U.S. Embassy in Monrovia. The unit arrived Monday as mortar fired rained on residential areas and struck a U.S. housing compound across from the embassy.

One defense official at the Pentagon said U.S. military representatives met yesterday in Dakar, Senegal, with defense ministers from West African states to try to determine how they were defining the peacekeeping mission to Liberia, who would participate, when they would go and what they needed from the United States.

"We think we're pretty close to getting some final information" from the West Africans, the official said, adding that it still is not clear whether the United States will need to contribute 500 troops to fulfill various logistical functions or a full 2,200-man Marine Expeditionary Unit to perform peacekeeping functions.

"None of that has been determined, because we don't know exactly what [the West Africans] are going to do," the official said. "As the president has said, the U.S. role is going to be in support" of nations from the Economic Community of West African States.

White House Remains Noncommittal On Troops For Liberia (NYTimes)

By DAVID STOUT

The New York Times, July 23, 2003

WASHINGTON, July 22 - The White House refused today to say when, or if, the United States would send a peacekeeping force to Liberia. But it said it "remains actively engaged" in trying to bring calm to the African nation.

"We continue to call on all parties to immediately cease military action," the White House spokesman, Scott McClellan, said at an afternoon news briefing.

Mr. McClellan fielded several questions about the bloodshed in Liberia and the fact that the United Nations secretary general, Kofi Annan, and several West African countries have practically begged the United States to send in troops.

Asked when there might be an announcement about an American peacekeeping force, Mr. McClellan said, "The discussions remain ongoing." A moment later, he added, "I would not try to put a time line on this."

The Pentagon has already ordered about 4,500 sailors and marines closer to Liberia by routing their ships from the Horn of Africa into the Mediterranean Sea, just in case. But the Bush administration is clearly agonizing over just what to do, with the Defense Department reportedly resisting involvement and the State Department more eager to find a solution.

Three weeks ago, before President Bush made his five-day visit to Africa, the administration was already under pressure to see a peacekeeping force to Liberia, where rebels have been fighting the government of President Charles G. Taylor. Since then, the carnage has worsened, with scores of civilians having been killed in the last two days.

Secretary of State Colin L. Powell deflected a question today on what he is recommending to President Bush. "The president and all of us in the administration are monitoring the situation in Liberia very closely," Mr. Powell told reporters at the Capitol, where he was meeting with lawmakers on several issues. "It's a very serious matter."

Mr. Powell added that he continues to be "in very close touch" with Mr. Annan.

Liberia poses an agonizing decision for the administration. The United States military has been deeply involved in Iraq and Afghanistan, and memories of the bloody intervention in Somalia a decade ago are still fresh around the Pentagon. On the other hand, Liberia has close historical ties to the United States. It was founded by former American slaves, its capital, Monrovia, is named after President James Monroe, and its very flag is modeled after The Stars and Stripes.

Powell Says US Should Not 'Look Away' From Liberian Plight (WTimes)

By Nicholas Kralev

The Washington Times, July 23, 2003

Secretary of State Colin L. Powell said yesterday that the United States has no vital strategic interests in Liberia's civil war but that it does have an obligation as the world's only superpower not to allow West Africa to "come apart."

In a self-criticism, he said that the Bush administration, which has demanded deployment of an African force before it sends any U.S. troops, has been slow in identifying what exactly that force needs from the United States.

The secretary, speaking to reporters and editors from The Washington Times, made a strong case for American involvement in bringing stability to the war-torn nation, although he noted that the mission will be limited in "scope and duration."

"In Liberia if you ask the question, 'What is our strategic, vital interest?' it will be hard to define it that way," he said. "But we do have an interest in making sure that West Africa doesn't simply come apart. We do have an interest in showing the people of Africa that we can support efforts to stabilize a tragic situation as we work with others to bring relief to people - people who are desperately in need."

In addition, Mr. Powell said, "We do have a historic link to Liberia, and we do have some obligation as the most important and powerful nation on the face of the earth not to look away when a problem like this comes before us."

"We looked away once before in Rwanda, with tragic consequences. This is not Rwanda, nor is it Somalia," where U.S. soldiers were ambushed by warlords while providing security for food relief in 1993.

Asked whether such thinking contradicts George W. Bush's opposition, as a presidential candidate, to the United States' being a global police officer during the 2000 election campaign, Mr. Powell insisted that the Bush administration is not trying to police the world.

"There is no situation we can ignore, but that doesn't mean necessarily the United States has to be the policeman that goes in. In the case of Cote d'Ivoire it was the French; in the case of Sierra Leone it was the British," he said in reference to recent peacekeeping missions to the two African nations.

"In this case, with all our European friends pretty stretched and with Liberia having a direct historical connection with the United States ... people look to us to help," he said.

He acknowledged that the United States also is "clearly stretching" its forces around the world, although there are "still unused capabilities."

The countries from the Economic Community of West African States (ECOWAS) that are preparing to send the initial contingent to Liberia "just don't have the capacity to deploy forces and keep them sustained in the field," Mr. Powell said.

"I don't need 250 guys with no equipment," he added. "Only the United States, France, Britain and maybe one or two other countries have that kind of capability within their armed forces."

According to the Liberian authorities, at least 600 people have been killed since rebels fighting to oust President Charles Taylor battled into the outskirts of Monrovia, the capital, during the weekend. The rebels said yesterday that they had ordered their forces to halt the attacks.

An amphibious group led by the helicopter-landing ship USS Iwo Jima, carrying 2,000 U.S. Marines, awaited orders in the Red Sea on its way to the Mediterranean on whether to continue around North Africa to Liberia.

Mr. Powell defended President Bush's decision not to rush into deploying American troops before the objectives and strategy of a multinational force are clearly defined, but he did not shy away from self-criticism.

"Where we have lost time in not moving as rapidly as I would like is identifying and putting in place and determining what those ECOWAS forces need from the United States or from the international community to do the job," he said.

A meeting in Senegal yesterday was an attempt to do just that, he noted. It was also assessing "how quickly some element of the peacekeeping force from ECOWAS can be moved to Monrovia."

Recalling the so-called Powell Doctrine from his time as chairman of the Joint Chiefs of Staff more than a decade ago, he said: "My view is that you should have a clear political objective if you are going to commit forces, and then commit the necessary forces to achieve that objective."

He also said the United States will have "nothing to do" with Liberia's political transition after Mr. Taylor's departure, which would include putting a new president in place, a transitional government and an election.

Mr. Taylor, indicted on charges of being a war criminal, has agreed to go into exile in Nigeria, but if, how and when he does "is another issue," Mr. Powell said.

He repeatedly emphasized his close cooperation on Liberia with U.N. Secretary-General Kofi Annan, with whom he said he speaks on the phone at least once a day.

Just before the end of the hourlong interview, an aide walked into the room with a message that Mr. Annan was calling for the second time yesterday.

Asked about recent comments by National Security Adviser Condoleezza Rice and British Prime Minister Tony Blair criticizing recent calls by some European countries, most notably France, for a "multipolar" world, the secretary said he is hardly worried about a serious challenge to the United States' dominance.

"Is France now out there trying to round up candidates to be the other pole in a multipolar system? That might be reading too much into French politics and French foreign policy," he said.

"Three months ago, everybody was writing that [another pole] already existed. It was France, Russia and Germany, and now, voila, it's just France. Let's wait awhile, wait for the dust to settle, see where our mutual interests are," Mr. Powell said.

He added that he has invited French Foreign Minister Dominique de Villepin to visit Washington for the first time since their bitter public disagreements at the United Nations before the war in Iraq.

"My French colleague and I have been in conversation, and I expect him to come over at the tail end of the summer or early fall," he said.

Ex-Members In Liberia (Roll Call)

By Brody Mullins and Michael E. Grass

Roll Call, July 23, 2003

Two former Members of Congress got a close-up look at the civil war in Liberia last week when they met with embattled Liberian President Charles Taylor.

Ex-Reps. Ronnie Shows (D-Miss.) and Bob Clement (D-Tenn.) were among a handful of Americans who visited the country as part of a weeklong humanitarian trip through Africa.

But Shows and Clement do not plan to lobby on behalf of Taylor in Washington. The two former lawmakers were there on a humanitarian trip and were acting as "private citizens," Shows said.

Still, Shows said he agreed with Taylor that the United States should send troops into the country to keep the peace before the dictator's expected departure. When they arrived in Liberia, Taylor assured the former lawmakers that he would leave the country if the Bush administration agreed to provide troops to keep the peace while a new leader could be installed.

"I tend to agree that they need some troops in there before he leaves," Shows said. "Basically, you would have a vacuum in there. It would be chaos. I didn't hear one person saying, 'Leave now without troops being there.'"

Shows left Liberia less than 48 hours before fighting resumed in the war-torn country. "We were just listening and gathering information," he said.

Shows and Clement, accompanied by two former Democratic Congressional candidates - Joe Turnham from Alabama and Rick Carno of Ohio - were in Africa to attend a summit in Nigeria when they were invited by religious leaders to make the trip to Liberia.

"They showed up and asked if we could come to Liberia to give them some help," Shows said.

Shows and Clement stayed in Liberia for three days and two nights, departing last Thursday.

When Shows arrived back in Mississippi and turned on the radio, he learned that rebel troops had started attacking Taylor loyalists not far from where they had met.

Fighting erupted Monday around the U.S. diplomatic compound, which was hit by one mortar round. U.S. Marines based in Spain were dispatched to provide security.

Shows and Clement, who briefed the State Department about their visit upon their arrival in the United States, had been planning to organize a Congressional delegation to Liberia to meet with Taylor. But now that fighting has resumed, those plans are on hold.

New Joint Homeland Security Lobbying Operation Launched. Stonebridge International and BKS&H & Associates have joined forces to tackle the still-emerging homeland security lobbying sector.

And to lead the operation, known as Civitas Group, the firms have tapped international security and counter-terrorism expert Michael Hershman, who is well-known on Capitol Hill for being the senior investigator for the Senate Watergate Committee in the early 1970s.

Civitas will be co-chaired by Sandy Berger, chairman of Stonebridge International, and Charlie Black, chairman of BKS&H. Berger served as national security adviser in the Clinton administration, and Black has been a longtime adviser to GOP presidents.

Civitas' advisory board has another high-profile terrorism expert as its chairman, former Sen. Warren Rudman (R-N.H.).

Adding a Carolina Legacy. The chief of staff to then-Sen. Jesse Helms (R-N.C.), Jimmy Broughton, has resurfaced on K Street as part of the expansion of the government relations practice Womble Carlyle Sandridge & Rice.

The firm, founded in 1876 in Winston-Salem, N.C., already has many Carolina connections. Burley Mitchell, former North Carolina Supreme Court chief justice, Jeff Lane, former chief of staff to Sen. John Edwards (D-N.C.), and Ashley Thrift, former chief of staff to Sen. Fritz Hollings (D-S.C.), are all affiliated with the firm's government affairs practice.

Broughton himself is the grandson of a former Tar Heel governor and Senator, J. Melville Broughton (D), and son of another former North Carolina governor, J. Melville Broughton Jr. (D).

Leaving the Executive Branch. Emilio Gonzales, a top national security aide in the Bush White House, is leaving the administration to fill a top government affairs position at the law firm Tew Cardenas.

Gonzales advised President Bush and National Security Adviser Condoleezza Rice on security matters facing the Western Hemisphere.

Additionally, the firm snagged Sloan Rappaport, who is a senior policy adviser to Commerce Secretary Donald Evans. He will start at the firm on Aug. 1.

On a New Track. Former FedEx Corp. lobbyist Marque Ledoux has switched to a new mode of transportation, representing the interests of one of the nation's largest railroads, Norfolk Southern.

At the railroad, he will be the assistant vice president of public affairs based out of Norfolk's D.C. office.

Leaving the Hill. Laura Quattlebaum, former legislative director to Rep. Jack Kingston (R-Ga.), has joined the Troutman Sanders Public Affairs Group.

She will divide her time between D.C. and Georgia, concentrating on appropriations and other legislative lobbying efforts.

Liberian Says He'll Leave In 10 Days; Fighting Eases (NYTimes)

By SOMINI SENGUPTA with LAURIE GOODSTEIN

The New York Times, July 23, 2003

MONROVIA, Liberia, July 22 - President Charles G. Taylor tonight offered the most specific timetable for his promised departure. Rebels here also said they had ordered their troops to stop attacks, after four days of shelling and gunfire that the government estimated had killed more than 600 people.

It was unclear whether the rebel group, Liberians United for Reconciliation and Democracy, was aware of Mr. Taylor's latest departure plans, which he disclosed in a telephone interview.

The larger mystery was whether either side's declarations were credible. Mr. Taylor, who announced more than six weeks ago his intention to leave the country, has repeatedly amended his plans. So has the rebel faction, whose goal is to depose Mr. Taylor, announcing cease-fires and saying it would stop assaults on the city, only to continue.

Though less intense than the nonstop assault on Monday, fighting continued throughout today. Mortar rounds began pounding the capital's diplomatic neighborhood this afternoon, killing at least two people across the street from the United States Embassy, including a mother holding her child.

Tonight, in a telephone interview arranged by an American evangelist, the Rev. K. A. Paul, whom Mr. Taylor described as "my religious leader" and who also took part in the interview, Mr. Taylor said he would step aside "within 10 days." He said he would hand power to a confidante, the speaker of the Liberian House of Representatives, Yundueh Monorkomna. Mr. Taylor said he would make the formal announcement on Saturday, a national holiday here.

Mr. Taylor has made a number of announcements about his exit. He said on July 7 in a interview with The New York Times that he would leave his country for a brief "cooling-off period" but return to take part in politics. Later, his spokesman said he was under pressure from supporters at home to remain in Liberia. Mr. Taylor has also insisted that he would not step down until foreign peacekeepers arrive.

In the telephone interview tonight, he did not respond to a question about whether the arrival of foreign peacekeepers was still a condition for leaving. Nor did he specify whether he would only step aside from the presidency or leave the country altogether. He has already accepted an offer of asylum in Nigeria, but tonight Mr. Paul said negotiations were under way with Ghana and Chad.

Mr. Taylor said he could be trusted to fulfill this pledge because he had made a commitment to Mr. Paul, a Christian evangelist based in Houston.

Mr. Paul visited Monrovia last week at the invitation of several religious leaders from Liberia. Born in India, he preaches at rallies around the world and draws large audiences in India and in some African countries. He said he had first met Mr. Taylor last week, and prayed with him for several nights in the president's "prayer room" in his home in Monrovia.

Mr. Paul said, "I believe this man is genuinely committed to me, and he will step down in my presence."

In Ghana, where Liberian peace talks are ostensibly continuing, rebel leaders announced this afternoon that they had ordered their troops to stop attacking. Whether they would abide by anything resembling a cease-fire remained unclear.

It was impossible for Monrovia residents to tell today where the shelling was coming from and who was responsible.

The defense minister, Daniel Chea, accused the rebels of shelling the innocent, chastised the international community for "bickering" over how to help and demanded a suspension of a United Nations arms embargo on Liberia. The Security Council imposed penalties over Mr. Taylor's role in supporting a rebel movement in neighboring Sierra Leone. He has since been charged with crimes against humanity by a United Nations-backed tribunal in that country.

For their part, rebel officials said they had ordered their fighters to maintain the status quo. "We are telling them to stop shelling even if they are being shelled," Kabineh Janeh, a rebel representative, said in a telephone interview from Ghana. "We are not firing on diplomatic quarters. That has always been those who are working for Mr. Taylor."

For the first time since Saturday, when the latest assault began, the president stepped into the streets of Monrovia, traveling in a heavily fortified motorcade to bury his mother, Zoe Taylor, 77, who died nearly a month ago.

Funeral services were held inside a small Baptist church filled with relatives and government officials dressed in their Sunday best. Mr. Taylor arrived in the white safari suit he favors these days. The body was brought in a white coffin with gold trim. Flowers had been flown in from Abidjan, in neighboring Ivory Coast.

The defense minister, Mr. Chea, said this morning that the fighting had claimed more than 600 civilians since Saturday. It was impossible to verify the figure. Reports from the one functioning hospital in Monrovia and from three clinics run by relief workers suggested a death toll closer to about 120.

Outside the American Embassy, the mutilated bodies that had been laid thereon Monday by an angry, grieving mob remained this morning, wrapped in plastic sheeting donated by Merlin, a medical aid group. They were buried later in the day, most of them on the nearby beach. The fighting made it impossible to take the dead to cemeteries.

Mortar rounds rained down on downtown Monrovia this morning as fighting continued for control of two bridges leading to the city center. Shelling continued through the afternoon on the eastern outskirts, temporarily driving out thousands of people seeking refuge at a sports stadium.

Around 3:30 this afternoon, mortar rounds began pounding the area across from the American Embassy, causing familiar scenes: aid workers carrying one person hit in the eye by a piece of shrapnel; a man with a bleeding head being ferried in a wheelbarrow; a woman walking by, limping and screaming and holding her gut.

Rebels Agree To Cease-Fire; Foreigners Leave Monrovia (WSJournal / AP)

The Wall Street Journal/ Associated Press, July 23, 2003

ACCRA, Ghana -- A Liberian rebel group engaged in an all-out battle for the country's war-torn capital said Tuesday it has ordered its troops to stop fighting.

"Our troops are being told to cease fire," said Charles Benny, an official with the rebel movement Liberians United for Reconciliation and Democracy, currently in nearby Ghana for peace talks. The call to stop fighting comes the day after a thunderous barrage of shells rained down on the city in the bloodiest fighting in two months.

According to government officials some 600 people were killed in Monday's fighting. However, aid workers and hospitals gave a lower death toll, saying at least 90 people were confirmed killed, though they expected the death count to rise. Mr. Benny said he welcomed the announcement that Nigerian forces were ready to help lead a West African peacekeeping force in Liberia.

In Monrovia Tuesday, Marines at a U.S. Embassy compound evacuated foreign aid workers and journalists in helicopters.

Liberian Defense Minister Daniel Chea claimed Tuesday that the death toll from recent fighting was well over 600 people, but there was no way to independently confirm the figure. Aid groups and hospitals have put the number of dead above 90, but say they expect that number to rise.

In a phone interview with The Associated Press on Monday, embattled Liberian President Charles Taylor repeated his call for a promised West African peacekeeping force to arrive quickly to "bring some sanity" to the nation founded by freed American slaves.

But Mr. Taylor said the best way to ensure stability was through U.S. troops on the ground, in addition to the Marines guarding the U.S. Embassy. "An American contingent would be excellent," he said.

Meanwhile, a storm of mortars rocked residential neighborhoods along with two U.S. Embassy compounds in the rebels' third attempt to take Monrovia - Mr. Taylor's last stronghold. An American journalist was among the injured.

American helicopters landed in the Embassy compound in a driving rain Monday, dropping off about half of a 41-member Marine security team. The troops, who were sent to beef up security at the embassy, evacuated about 23 foreign humanitarian workers and journalists.

Clutching bags and backpacks, the evacuees ran to the aircraft as Marines and embassy officials shouted: "Go! Go!" Among them were the United Nations' last seven foreign staffers, who had returned to Monrovia just two weeks earlier during a lull in fighting.

U.S. officials announced that 4,500 more American sailors and Marines have been ordered to position themselves closer to Liberia, if needed for an evacuation of Americans, peacekeeping or some other mission.

"We're concerned about our people," President Bush told reporters Monday at his ranch in Crawford, Texas. He indicated he had not yet decided the size of a U.S. force that might be sent to help a promised West African peacekeeping mission in Liberia.

On Tuesday, fighting was focused in the port area. Mr. Chea, the Liberian defense minister, said rebels made another attempt to take control of two bridges leading from the port to the downtown area, but that government troops held them off.

Residents, meanwhile, reported a sleepless night of intense looting by fighters. Early Tuesday, there was a lull in fighting although sporadic gunfire continued. People took the opportunity to forage for food and water.

After Monday's blasts, enraged Liberians dragged bodies from the residential compound and lined them up in front of the embassy, next to a wall emblazoned with the American seal. The group demanded to know why Washington has not sent troops to end more than a decade of strife in the West African nation.

Monday appeared to be the bloodiest day in two months of fighting by rebels attempting to seize the capital.

Among the injured, Tom Masland, an American who is Newsweek's African regional editor, was hit in the arm by shrapnel.

U.N. Secretary-General Kofi Annan once again urged Washington and West African states to commit troops. "I think we can really salvage the situation if troops were to be deployed urgently and promptly," he said.

President Taylor has pledged to resign and accept an offer of asylum in Nigeria -- but only after peacekeepers arrive to ensure an orderly transition. But in his interview with the AP, he also hinted he might make other demands of Mr. Bush before agreeing to step down.

"I have written him a letter outlining to him certain things that are necessary for me to step down and certain things that are necessary for me to leave the country," Mr. Taylor said, without elaborating.

President Bush has said any deployment of U.S. troops is conditional on the departure of Mr. Taylor, a former warlord indicted for war crimes in Sierra Leone, where he supported a brutal rebel movement.

Mr. Chea, the defense minister, said either the international community should deploy peacekeepers now or immediately lift a U.N. arms embargo so that government troops could better defend themselves. The embargo was imposed to punish Mr. Taylor's regime for trading guns for diamonds with rebels in Sierra Leone.

He said if the government could freely get arms, the international community "would not have to deploy anybody. We are quite capable of defending our own people," he said.

Liberia's Rebel Leaders Call For Cease-Fire; Deaths Climb (LATimes)

The order will take time to trickle down, the insurgents say. West African officials meet to discuss a deployment of peacekeepers.

By Ann M. Simmons

The Los Angeles Times, July 23, 2003

MONROVIA, Liberia - Rebel leaders outside Liberia called on their soldiers Tuesday to stop a blistering onslaught on this war-torn capital as senior West African officials met, seeking a way to deploy peacekeepers.

Despite the call for a cease-fire, sporadic gunfire and shelling continued throughout the day and night. The civilian death toll from three days of fighting between the rebels and the government of President Charles Taylor climbed to at least 120, according to humanitarian groups. Government officials put the number of fatalities at 600.

Leaders of the rebel movement Liberians United for Reconciliation and Democracy, or LURD, said it would take time for the cease-fire to be heeded.

"Yes, we did call for a cease-fire, but it's going to take some time for the orders to trickle down," said LURD military advisor Gen. Joe Wylie, who spoke by phone from the Ghanaian capital, Accra, where he was taking part in peace talks. "It's not a soccer game where when the game ends, everybody stops. This is war."

West African defense officials met in Senegal to discuss sending troops, but regional leaders have made it clear that no soldiers would be dispatched without an end to the fighting, the latest chapter in Liberia's 14-year civil war. The rebels have said their aim is to oust Taylor.

"We have to stop the shooting so that the peacekeepers can come in," Wylie said.

The Bush administration has said it would consider deploying U.S. troops only after Taylor stepped down. About 4,500 Marines and sailors were dispatched to the Mediterranean on Monday, but Liberians complained that the potential help was still too far away for comfort.

"Mediterranean? Is that where the fighting is going on?" asked Ernest Jackson, 23. "The fighting is going on here in Monrovia, Liberia, to be specific. And it's very, very dangerous, so they must come. We need them in Liberia. If they don't know the way, they can call me and I'll direct them here."

Reports spread Monday that Taylor would leave the country today. But rebel leaders said that wasn't true.

"It's a rumor," Wylie said. Taylor is "a man with many tongues and many voices. So when he says he is leaving, you can't always believe him."

"The sooner he leaves, the better off he will be," he added.

Wylie said that if the rebels caught Taylor, they would hand him over to the United Nations-backed war crimes tribunal that has charged the president with helping fuel Sierra Leone's brutal 10-year civil war.

Taylor, who has accepted an offer of asylum in Nigeria, has insisted that he will leave once peacekeepers arrive. He also said he first wanted to bury his mother, Zoe, who died last month.

On Tuesday, Zoe Taylor was buried as a military band played. Her son arrived at the funeral dressed in a trademark white safari suit adorned with a green sash. He cried softly at the Baptist church as he stood before her coffin covered with bouquets of lilies that read, "Love" and "Peace."

A paper program featuring pictures of Taylor with his mother and other family members was distributed to the mourners as they entered the church.

The pews were filled with more than 200 people, men in suits and women wearing dresses and head wraps mainly of mauve or white - the typical colors of funeral dress here.

Priscilla Coke-Sumo, niece of the deceased, said her aunt hated the color black. She described the matron as "a caring woman who loved farming."

A robed choir sat ready to intone Zoe Taylor's favorite hymns, including one titled "How Tedious and Tasteless the Hour."

The scene at the church stood in stark contrast to the misery and destruction elsewhere in the city.

Many of the 30,000 displaced people who have found shelter under the stands in the city's main football stadium were forced to flee the arena after a storm of shells began to pound the neighborhood. They later returned.

Eighteen bodies that had been stacked outside the U.S. Embassy after the victims were killed Monday in a barrage of mortar shells were bundled in large plastic sheets and carried to the nearby beachfront to be temporarily buried in group graves.

Alfa Yaseweyeh arrived at the reddish sand in the pouring rain, searching for his 22-year-old son, Moduray, who was among those killed.

Wrapping the young man's body in a sheet that he decorated with green vines plucked nearby, Yaseweyeh asked the gravediggers to place the body in a separate pit. Saying a prayer over the site with four of his other sons, he placed a single stick at the head of the grave.

At the housing-complex-turned-hospital of the Belgian branch of the relief agency Doctors Without Borders, civilians - dozens of women and children among them - lay on blankets on concrete floors or on cots in rooms that were recently offices and bedrooms. Some nursed gunshot wounds; others writhed in pain from injuries inflicted by shrapnel blasted from mortar shells and grenades.

The aid group received 82 wounded civilians at its compound Monday; on Tuesday almost 30 arrived.

One surgeon, helped by two doctors and several nurses, had been working almost around the clock trying to save lives, said Dr. Hani Khalifa. Few of the medical personnel were getting more than three hours of sleep a night.

Twelve major surgeries were performed Monday, Khalifa said, including on a pregnant woman who had a bullet lodged in her side. The hospital's blood supply has been depleted to just five or six pints.

Too terrified to leave, relatives of the victims had also jammed the compound, sleeping on floors or on mattresses under tents.

"It's overcrowded," said Khalifa, who estimated that the complex was now providing shelter to 300 people, including the staff members of the relief group.

"Because of the insecurity outside the compound, whenever you discharge a patient, they can't leave," he said. "This is one of the difficulties we are facing, because we cannot empty the hospital.

"In a simple word, it's a mess," the doctor said.

11 Nations Join Plan To Stop N Korean Ships (USAT)

By Barbara Slavin

USA Today, July 23, 2003

WASHINGTON - The Bush administration is preparing to tighten an economic noose around North Korea, even as it considers new talks to persuade the regime of Kim Jong Il to give up nuclear weapons.

The administration has lined up 10 other nations to join a so-called proliferation security initiative. These countries - Japan, Australia, Britain, France, Germany, Italy, Poland, the Netherlands, Bulgaria and Spain - have agreed to intercept North Korean ships suspected of carrying weapons and illegal drugs, major sources of hard currency for Kim's government.

A State Department official who is familiar with the program but asks not to be named says, "We're ready to rock and roll right now" on the interception program. "All we need is actionable intelligence" on a suspect North Korean shipment, he says.

Despite administration assurances that it seeks a diplomatic solution to the crisis, State Department officials are not optimistic about the prospects for new talks, which could take place as early as next month in Beijing. "No one has a good, new solution to this problem," one concedes.

U.S. intelligence shows that North Korea is accelerating its nuclear program by reprocessing used reactor fuel. It could produce enough plutonium for a half-dozen bombs this year, in addition to the two bombs' worth it is believed to have had for a decade. The regime's goal is to ensure its survival and deter attacks by becoming the world's ninth nuclear arms power. The others: the United States, Russia, Britain, France, China, Pakistan, India and Israel.

The Bush administration says it is willing to talk to North Korea, but only if Pyongyang agrees that diplomats from Japan and South Korea, as well as China, eventually take part. Diplomats are trying to craft a common position to present to North Korea. But an Asian official in Washington says the administration is reluctant even to call the position a "proposal," for fear of looking like it is following the route of the Clinton administration. In 1994, that administration traded economic and political concessions for a North Korean freeze of its nuclear program. That agreement capped plutonium production, but it unraveled last fall after North Korea admitted that it had a second, secret program to make enriched uranium for bombs.

"We've made it very clear that we will not give in to blackmail," White House spokesman Scott McClellan says. He denies published reports that the administration was considering offering a formal security guarantee if North Korea gave up its nuclear program.

Victor Cha, a North Korea expert at Georgetown University, calls the Bush approach "the least worst option. Putting multilateral pressure on the regime has never been tried before."

Others say the administration squandered a chance to slow North Korea's nuclear development two years ago when it dropped the Clinton strategy of one-on-one negotiations and began branding the Kim regime as "evil."

"In the last two years, we've convinced the North Koreans that we're out to get them," says Robert Einhorn, a proliferation expert at the Center for Strategic and International Studies. Einhorn negotiated with the North Koreans under the Clinton administration.

Kenneth Quinones, a former Korea analyst for the State Department, says the United States has three options for dealing with Pyongyang, all of them "just absolutely appalling":

- Attack North Korea and risk retaliation that would kill more than a million South Koreans and many U.S. troops.

- Hope the Chinese, who provide 70% of North Korea's fuel and a third of its food, "will pull the rug out from under" Pyongyang. That could lead to a deeper humanitarian crisis in North Korea and massive refugee flows but not necessarily bring down the regime.

- Learn to live with a nuclear North Korea.

Failure to contain the program could have dire consequences.

"If North Korea continues on its present course, by the end of the year, I think we'll have about eight nuclear weapons, and next year will be in serial production of about five to 10 nuclear weapons a year," former Defense secretary William Perry told PBS' NewsHour with Jim Lehrer on Monday. Such an escalation, Perry said, would give the North Koreans enough weapons to target Japan and South Korea and to sell bomb material to terrorists.

It's Either Nukes Or Negotiation (WPost)

Op-ed by William J. Perry

The Washington Post, July 23, 2003

North Korea's nuclear facility at Yongbyon, which had been "frozen" under international inspection since 1994, was reactivated this January for the production of plutonium. Just last week the North Koreans announced that they intended to use the resulting plutonium to make nuclear weapons, which only confirmed what we always believed.

If it keeps on its present course, North Korea will probably have six to eight nuclear weapons by the end of the year, will possibly have conducted a nuclear test and may have begun deployment of some of these weapons, targeted against Japan and South Korea. By next year, it could be in serial production of nuclear weapons, building perhaps five to 10 per year.

This is a nightmare scenario, but it is a reasonable extrapolation from what we know and from what the North Koreans have announced. The administration to this point has refused to negotiate with North Korea, instead calling on the countries in the region to deal with the problem. The strategy underlying this approach is not clear, but the consequences are all too clear. It has allowed the North in the past six months to move from canned fuel rods to plutonium and, in a few more months, to nuclear weapons. And the consequences could extend well beyond the region. Given North Korea's desperate economic condition, we should expect it to sell some of the products of its nuclear program, just as it did with its missile program. If that happens, a nuclear bomb could end up in an American city. The administration has suggested that it would interdict such transfers. But a nuclear bomb can be made with a sphere of plutonium the size of a soccer ball. It is wishful thinking to believe we could prevent a package that size from being smuggled out of North Korea.

How did we get into this mess?

For several decades North Korea has aspired to have nuclear weapons. During that period successive administrations have, through a combination of threats and inducements, curtailed their program but never their aspirations. In the late 1980s the first Bush administration saw the potential danger and persuaded the Soviet Union to pressure North Korea to join the nuclear Non-Proliferation Treaty and subject its nuclear facilities to international inspection. The North Koreans complied, but they stalled long enough to give them time to make and store enough plutonium for one or two nuclear bombs before the inspectors arrived.

Shortly after the Clinton administration took office, they tried again. As spent fuel was being taken from the nuclear reactor at Yongbyon, the North Koreans ejected the inspectors and began preparations for reprocessing. This would have given them enough plutonium for five or six additional nuclear bombs. President Clinton considered this sufficiently dangerous that he declared reprocessing a "red line." In response, I had the Joint Chiefs prepare a plan to use military force if necessary to prevent this outcome. When Kim Il Sung offered to negotiate the issue, Clinton responded that he would negotiate only if the North Koreans froze all activity at Yongbyon during the negotiation. In the end, military force was not necessary. The agreement that ended this crisis was far from perfect, but in its absence North Korea could today have 50 to 100 nuclear weapons.

But the North Koreans never gave up their desire for nuclear weapons. Even as they complied with the freeze at Yongbyon, they covertly started a second nuclear program at a different location. American intelligence discovered signs of this

program and last fall confronted the North Koreans, who did not dispute the charge. The administration responded by stopping fuel oil deliveries called for under the old agreement, to which the North Koreans responded by reopening Yongbyon and racing to get nuclear weapons.

There are three basic approaches for dealing with this dangerous situation.

The administration can continue to refuse to negotiate, "outsourcing" this problem to the concerned regional powers. This approach appears to be based on the hope that the regional powers will be able to prevail on North Korea to stop its nuclear program. But hope is not a strategy. If their hopes are not realized and North Korea continues on its present course, it will soon have a significant nuclear arsenal. And while the regional powers could play a role in resolving this crisis, they are unlikely to succeed in the absence of a clear American negotiating strategy in which they can participate.

A second alternative is to put economic pressure on North Korea and hope for "regime change." Or the United States could take military action to bring this change about. But while the regime may one day collapse, with or without economic pressure, there is no reason to believe that it will happen in time – the nuclear threat is imminent. Taking military action to force a timely regime change could result in a conflict comparable to the first Korean War, with casualties that would shock the world.

The third alternative is to undertake serious negotiations with the North Koreans to determine if there is a way to stop their nuclear program short of war. The administration is clearly reluctant to negotiate with the North Koreans, calling them loathsome and cheaters. It is easy to be sympathetic with this position; indeed, the only reason for considering negotiation with North Korea is that the other alternatives are so terrible. The administration, seeing the danger, has said that it "would not tolerate" a North Korean nuclear arsenal. The North Koreans responded to this declaration by accelerating their program. The conflict between our views and their actions is a formula for drifting into war. It is imperative that we stop that drift, and the only clear way of doing that is by negotiating.

Any negotiations with the North Koreans are likely to be difficult and protracted, so they should be predicated on a prior agreement that North Korea will freeze its nuclear activities during the negotiations. For negotiations to have a chance of success, they would need to have a positive dimension, making it clear to North Korea that forgoing nuclear weapons could lead it to a safe and positive future. But they would also need a negative or coercive dimension, both to induce North Korea to take the right path and to give us and our allies more credible options if diplomacy should fail. President Kennedy said it best: "We should never negotiate from fear, but we should never fear to negotiate."

The writer was secretary of defense from 1994 to 1997.

Numbers Add Up To Fall Recall Election (LATimes)

A Times survey finds that county officials have verified more than enough signatures to force a vote on removing Gov. Davis from office.

By Michael Finnegan and Allison Hoffman

The Los Angeles Times, July 23, 2003

County election officers have confirmed more than 1.1 million valid signatures on the petition for an election on whether to recall Gov. Gray Davis - well above the threshold to qualify for the ballot, a Los Angeles Times survey found on Tuesday.

The tally makes a recall vote in late September or early October all but inevitable. But in an interview Tuesday, Lt. Gov. Cruz Bustamante raised doubts about the widespread assumption that Californians would simultaneously vote on recalling Davis and on choosing a potential successor.

By 5 p.m. today, California's 58 counties must report their latest tallies to Secretary of State Kevin Shelley. Unless he rejects a large share of the signatures or a court intervenes, Shelley will have to certify the recall proposal for a statewide vote.

Bustamante said he would then take no more than 24 hours to set the date for California's first statewide recall election.

Together, those actions could clear the way for candidates to begin jockeying for position as they embark on a short and unusual campaign for control of the nation's biggest state government.

For years, local recall elections in California have offered voters a two-part ballot. The first part asks whether the elected official should be recalled. The second lists possible replacements.

Potential candidates to succeed Davis - including U.S. Rep. Darrell Issa (R-Vista), Los Angeles businessman Bill Simon Jr. and actor Arnold Schwarzenegger - have been expecting Bustamante to call a traditional two-part election.

But Bustamante refused to say whether he would call for the election of a Davis successor on the same ballot as the recall question.

When a governor faces a recall vote, the state Constitution requires the lieutenant governor to set the date for it - and to call for the election of a successor "if appropriate."

Bustamante, though, said it was not his role to decide whether a Davis recall ballot would include a vote on potential successors.

"My job is to set the date," he said.

Asked who would decide whether a simultaneous vote on a Davis successor occurs, Bustamante invoked the obscure Commission on the Governorship.

"I think it would take the commission and the California Supreme Court to make that decision," he said.

State law empowers the commission to "petition the Supreme Court to determine any questions that arise relating to vacancies in and succession to the office of Governor."

The commission chairman would be Senate President Pro Tem John Burton. The other members would be Assembly Speaker Herb Wesson, the University of California president, the Cal State system's chancellor and the governor's director of finance.

Burton, a San Francisco Democrat, said he was checking on his role as chairman, but he cast doubt on whether the panel was relevant to the recall. Burton said it was clear to him that the election of a successor would be on the ballot with the recall.

The law that sets up the commission is one of many under intense scrutiny by California officials and election lawyers.

"The prospect of the recall qualifying means that statutes that have been on the books for decades are going to be used for the very first time," said Nathan Barankin, a spokesman for state Atty. Gen. Bill Lockyer.

Shelley's spokeswoman, Terri Carbaugh, said the lieutenant governor has sought legal advice from the secretary of state's office.

Fred Woocher, a Santa Monica lawyer who specializes in election law, questioned whether the Commission on the Governorship would play a role in the Davis recall attempt. The commission, he said, appeared designed to address confusing questions of vacancy, such as might occur if a governor were disabled but refused to relinquish authority. In this case, he said, no such confusion exists.

The constitutional discretion to call for an election of a successor "if appropriate" would most likely apply to appointed judges recalled by popular vote, but not to governors, Woocher said, adding that it was "far-fetched" to argue otherwise.

The Times survey of county registrars found that even with some counties still not finished, they have validated at least 1,105,802 voter signatures on the petition for a Davis recall election.

It takes 897,158 to qualify the recall for the ballot, and Shelley, a San Francisco Democrat, must automatically certify that it is eligible for a vote if recall supporters submit 110% of the minimum - or 986,858.

Several potential candidates have been preparing to decide within days whether to enter the race. One of them, former Los Angeles Mayor Richard Riordan, stopped just short of ruling out a candidacy on Tuesday.

"The odds are I won't run," he said in an interview.

Advisors to other candidates have braced for the possibility that Bustamante would give them as little as one day to decide whether to enter the race.

But Bustamante said he believed that one day "would probably be too short a time."

Under the Constitution, Bustamante would have to call the election 60 to 80 days after Shelley certified that it qualified for the ballot. Candidates would have to enter the race at least 59 days before the election.

That unusually quick timeline has officials concerned about their ability to pull off the election without problems.

John Mott-Smith, chief of the secretary of state's elections division, said the concerns include having adequate time to print 15 million ballots and sample ballots, testing new voting equipment, recruiting and training poll workers, and finding secure polling places.

The usual time to prepare for a statewide election is 131 days.

A recall election this fall also would be complicated by the fact that some of California's most populous counties - comprising 56% of the state's voters - are in the midst of switching to new voting systems after retiring the old punch card ballots. In some cases, the new voting equipment has yet to arrive and election officials and poll workers have yet to be trained on them.

Gov Davis Comes Out Fighting In Round 2 Of Recall Campaign (WPost)

By Rene Sanchez

The Washington Post, July 23, 2003

LOS ANGELES, July 22 -- The last stand of California Gov. Gray Davis (D) has begun.

With almost no hope of stopping a recall from reaching the ballot this fall, the embattled governor is launching a fierce but risky counterattack to convince voters that dumping him in an extraordinary special election would reward extremists, cost the state more than \$30 million even though it is broke, and harm just about everything in California but the sunshine.

His poll numbers look bleak. His administration is in the grip of a \$38 billion deficit, the worst financial crisis in state history. And many Democrats fear he is doomed. But Davis is promising to fight the recall to the finish with the same hardball style that has defined his long political career.

He has escaped trouble before by playing rough. Last year, amid signs that voters had little enthusiasm for reelecting him, Davis spent \$10 million on attack ads that sank the most formidable Republican in the race even before the GOP primary and left him running against a political novice. Then he unleashed ads depicting that candidate as a shady businessman.

"The clowns behind the recall can expect much worse," said Bill Carrick, a veteran Democratic strategist. "Davis has never been reluctant to go for the jugular."

A recall election could become a certainty as early as Wednesday, when counties must turn in all the voter petitions they have received in support of a recall to California's secretary of state. Recall leaders say they have collected 1.6 million signatures, far more than the 897,000 they need to force a special election, and as of today more than one-third had been validated.

State officials are so confident the recall campaign has reached its goal that they are discussing potential dates this fall for holding a vote, less than a year after Davis won a second term.

For months, he had been calling the recall "mischief" that voters should ignore. Now, he is warning that California could soon be "hijacked" by radical right-wingers. "This election is not about changing governors, it's about changing direction," Davis said at an anti-recall rally in San Francisco this past weekend. "We want to go forward. They want to go backward."

Democratic leaders have closed ranks behind the governor, but are deeply worried about his chances of surviving.

"There's a lot of apprehension," said Leon E. Panetta, a former California House member who served as President Bill Clinton's chief of staff. "We're in uncharted waters."

But many Republicans are nervous, too, because they say Davis does few things better than fight for his political life.

"What he's doing definitely smacks of desperation," said David Gilliard, the director of a recall group known as Rescue California. "But it would be a tragic mistake for us to underestimate him."

So far, every attempt Davis and his allies have made to quash the recall has failed. They tried to sap the manpower of the petition drive by enlisting signature gatherers -- paying them more than the governor's opponents did -- in a campaign against the recall. But that did not slow the movement's momentum.

Davis supporters also have filed a lawsuit alleging that recall leaders obtained many voter signatures illegally. The suit asked that the petition count be stopped immediately until alleged fraud could be investigated. A judge denied that request, but Davis supporters appealed that decision on Monday.

Political strategists say that Davis faces an array of daunting challenges in his fight to avoid becoming the first governor in the country to be kicked out of office by a recall in more than 80 years. He has to keep other Democrats from jumping into a special election, demonize his political opponents, and convince voters frustrated with his handling of the budget crisis -- he tripled taxes on vehicles last month -- that California would slide into worse shape without him.

That campaign is hitting full throttle. Davis has won assurances from all of the state's top Democrats that they will not run in a recall election. His political operatives are testing anti-recall strategies with focus groups. And Davis is scrambling to raise money and court core Democratic constituencies that can get voters to polls.

Radio ads are denouncing the House member who financed the recall petition drive, Rep. Darrell Issa (R-Calif.), as a liar and a thug. And national help is on the way. Democratic National Committee Chairman Terence McAuliffe is promising to send Davis money and manpower and likening his struggle to the party's epic fight in Florida after the 2000 presidential election, saying that Republicans are trying to "steal another election." The recall is drawing national interest because both parties say it could greatly affect their presidential campaigns next year in California, which is a pivotal state because of its size.

Almost every day now, interest groups are rushing, at times reluctantly, to the governor's side to denounce the recall. At a rally in Los Angeles on Monday, Davis stood with Jewish leaders who pledged their support. "We will defeat this cynical attempt to thwart the will of millions of Californians who just reelected him," said former House member Mel Levine.

Polls suggest that Davis needs all the help he can get, but that he still has a chance of beating the recall.

In a survey released last week by the independent Field Poll, 51 percent of voters said they were ready to oust Davis -- including about 25 percent of Democrats. But many also said they would be less likely to support the recall if the state's budget crisis is resolved soon and there is no Democratic choice on the ballot in a special election.

Only Issa, a multimillionaire business executive, and a Green Party candidate, Peter Miguel Camejo, have committed to running against Davis in a recall election. But film star Arnold Schwarzenegger, former Los Angeles mayor Richard Riordan and the GOP candidate Davis defeated last fall, Bill Simon, are also contemplating campaigns.

They may have only a few days to decide whether to put their names on a recall ballot, which would be nothing like California's electorate has ever seen.

First, the state's 15 million voters would be asked whether Davis should be recalled. Then, on the same ballot, they could choose a successor. The field of candidates would not be whittled by party primaries, and the winner, who would become governor immediately, would need only a plurality of votes, not a majority.

Recall campaigns have been launched against California governors 31 times since the state created the process in 1911, but none have come close to succeeding.

Davis, 60, has spent nearly 30 years in the top ranks of state government. He was chief of staff to Gov. Edmund G. "Jerry" Brown Jr. in the late 1970s and later was elected state controller and lieutenant governor. In 1998, Davis won the governor's race in a landslide by casting himself as a no-frills manager determined to improve public schools, protect the environment and support abortion rights and gun control. For much of his first term, Davis basked in huge budget surpluses.

Then the economy soured and the state's energy crisis struck, causing blackouts. Davis was widely criticized for reacting to it slowly and indecisively. Voters, who have never shown much personal affection for him, were furious.

When he ran for reelection last year, polls suggested he could lose to Riordan, a moderate Republican with a record of attracting Democratic voters. But Davis, a relentless fundraiser, amassed nearly \$70 million for the race and knocked Riordan out with negative ads. It was not the first time he had relied on that tactic. A decade ago, while competing in a primary for the Senate, Davis ran ads comparing Sen. Dianne Feinstein (D-Calif.), who was under scrutiny at the time for campaign finance practices, to convicted New York tax cheat Leona Helmsley.

Today, polls show that less than 25 percent of California voters like the job Davis is doing. Recall leaders say his strategy to stay in office will not work. "People are tired of his attack mode," Gilliard said.

But Democratic leaders are warning the governor's detractors not to write his political obituary just yet. "Any approach he takes on the recall is very risky," Carrick said. "But he has demonstrated in every campaign he has ever run that he's going to be absolutely furious on the opposition."

Backer Of California Recall Feels Heat Directed At Him (NYTimes)

By CHARLIE LeDUFF

The New York Times, July 23, 2003

LOS ANGELES, July 22 - Most Californians have never heard of Darrell Issa, the millionaire congressman who is bankrolling the effort to recall Gov. Gray Davis. But chances are, many know his voice.

Before he embarked on a second career in politics, Mr. Issa, a conservative Republican from San Diego, made a \$100 million fortune in the car-alarm business. That was his recorded voice on the Viper alarm system warning the interloper and stray dog alike to "please step away from the car."

"That's me," said Mr. Issa, raising his eyebrows, while sitting in his sparse campaign headquarters along the loop of John Wayne International Airport in Orange County, nothing on his desk but potato chips and a diet soda. "That made me a celebrity, sort of."

It also made him the money that allowed him to pour millions into his political career, including \$1.6 million into the effort to remove the Democratic governor from the Statehouse and insert himself in it.

And it provides a tasty backdrop for his opponents who are looking for ways to discredit the man who has brought California to the brink of this extraordinary political moment.

Because try as he might to step away from the car, Mr. Issa is bombarded at every turn with calls for an explanation to those nagging questions about two arrests for car theft in his youth.

"This stuff is 30 years old," said Mr. Issa, dressed in a blue polo shirt and khakis, his hair combed and parted with tonic, not hair spray as preferred by political veterans.

Such is the state of California politics. Already \$38 billion in the red, the state is expected to have to finance a \$30 million referendum on a governor who was just elected last November. On the same ballot California voters will be asked to pick a new governor should they back a recall.

And you can blame Darrell Issa or thank him for propelling a movement that just a few months ago looked as if it was going nowhere. The signatures needed to put the measure on the ballot - nearly 900,000 - are expected to be certified this week. If so, the recall vote will occur in late September or early October.

When asked why he was sinking a sizable piece of his personal fortune and reputation into the effort, he spoke of leaving a legacy.

"Some people want to amass a great amount of wealth and make a great looking obituary," he explained. "I'm going to die with more money than is good to leave my son."

So the two-term congressman has the Democratic governor reeling. According to a recent Field poll, 51 percent of likely voters say they would support the removal of Mr. Davis from office.

But whether they would turn to Mr. Issa, 49, is another question. In April, the Field poll found that, of registered voters, 79 percent had no opinion of Mr. Issa, a sign that he was barely known. Of likely Republican candidates, former Mayor Richard J. Riordan of Los Angeles, leads as the preference of likely voters, according to a July 16 Field poll.

Next comes Arnold Schwarzenegger, the actor with no political experience. There is Bill Simon Jr., the conservative who lost to Mr. Davis in the last election. Next are a couple of little-knowns and at the bottom of the list is Darrell Issa.

Still, he has a Congressional seat and a \$100 million fortune, and angry Democrats are determined to tar him, saying Mr. Issa's political record is shorter than his police record. They also say that his conservative views about abortion, guns and immigration are out of step with most of California.

"He might as well have tattoos on his arms," said Bob Mulholland, a campaign adviser to the California Democratic Party. "Arson, car thefts, gun charges. The man who muscled his way through life thinks he can muscle his way into the governor's office. He's mistaken."

And some Republicans, worried about his electability, are not much kinder. Despite the fact that Mr. Issa has single-handedly rejuvenated a moribund party that holds no statewide office, they say it is time for him to step aside.

"Schwarzenegger's the choice," one Republican operative said. "So, in two weeks, Republicans are going to pat Issa on the head, thank him for his service, then walk over his dead body."

Mr. Issa admits he is not gifted. He is dyslexic and to compensate for this, he says he studies hard, shoots from the hip and tries to memorize prepared statements.

"I have an I.Q. of 100 plus a little bit," he said. "I have to work real hard to get things when I read."

But now that the recall looks like a sure thing, Mr. Issa has developed his own formula to rescue California from its deficit without increasing taxes: changes in the worker's compensation system so employers pay less, wage freezes for state employees and 10 percent cuts across the board.

An issue for Mr. Issa is whether his voting record from his conservative Southern California district would play statewide. For instance, on the votes that the National Abortion Reproductive Rights Action League considered to be the most important in 2002, Mr. Issa took its preferred position zero percent of the time. At the same time, the National Rifle Association gave him an "A" on gun issues. Voting records show him to be against most environmental measures and a big supporter of business.

Mr. Issa is of Lebanese descent and in that regard has tried to work with Arab leaders, particularly after the attacks of Sept. 11. He was the target of an assassination attempt by Irv Rubin, founder of the radical Jewish Defense League. The plot was discovered, Mr. Rubin arrested and late last year jumped off the second tier of his cell block and died.

Mr. Issa, with an eye to one of the state's large constituencies, says he votes consistently pro-Israel. "Peace in Palestine is inevitable," he said. "The question is how do we make it happen today."

Darrell Issa was raised in Cleveland Heights, Ohio, the second of six children. His father sold trucks and worked a second job at night grinding valves. His older brother William got his own room, and the young Darrell Issa admired him.

A poor student, Mr. Issa dropped out of high school at age 17. He joined the Army.

He was discharged on a hardship when his father fell ill and was sent home. In 1972, he and his brother William were arrested in the theft of a Maserati from a Cleveland car dealership. The case was dropped.

Last month The San Francisco Chronicle reported that in 1980, after Mr. Issa had re-enlisted in the Army as a 27-year-old officer, he was again arrested with his brother on felony auto theft charges.

The paper said that William Issa stole his brother's car, sold it to a dealership in San Jose and that within hours Darrell reported it stolen. The case was eventually dismissed for lack of evidence.

Mr. Issa offers a two-pronged defense. One is to blame it on youth. "Look, I was a kid," he said. "What would you rather have? A cardboard-cutout who never made a mistake when he was young only to become governor and then carry on like a juvenile delinquent?"

Defense No. 2: the I've-got-a-colorful-brother stratagem.

"I love my older brother Billy," said Mr. Issa, explaining that he got caught in the orbit of his ne'er-do-well brother who has five felony convictions for car theft and is currently unemployed in Cleveland. "He stole a lot of cars. He stole my car. You could say that drew me to the car alarm business. Poetic justice."

But there is the matter of possessing an unregistered handgun in Michigan a few months after the car theft charges. He was fined \$100 and put on probation for carrying a long .25 millimeter semi-automatic. The gun belonged to me, says his brother Billy.

"Don't blame my brother for my sins," Billy Issa said from his home in Cleveland.

The telephone rings. It is a political ally on the other end telling Darrell Issa that reporters are seeking more details on his past. He laughs.

"Some day," Mr. Issa tells him, "somebody's going to report on those little pineapple squares I snatched at a party."

Attorney Clears Hurdle in Defamation Action Against ABA (Legal Intelligencer)

By Shannon P. Duffy

The Legal Intelligencer, July 23, 2003

Attorney Richard A. Sprague has cleared another significant hurdle in his defamation lawsuit against the American Bar Association and its monthly magazine, the ABA Journal, now that a federal judge has ruled that a jury could conclude the magazine acted with actual malice when it described Sprague as a "fixer."

U.S. District Judge William H. Yohn Jr. found that since the magazine's employees were aware that the term "fixer" has both positive and negative meanings, a jury could conclude that they "either deliberately cast this description in an ambiguous light in the hope of insinuating a false import to the reader, or that defendants knew or recklessly disregarded the possibility that its words would be interpreted by the average reader as false statements of fact."

But Yohn also emphasized that his ruling was no indication of his own opinion on the merits of Sprague's case. Instead, he said, the decision merely recognized that the case presents a question that must be decided by a jury.

"I in no way intimate what I believe the correct resolution of this question should be. From the court's restricted procedural posture of considering defendants' summary judgment motion, I find simply that there is evidence that, if believed and weighed as plaintiff urges, could support a jury finding, by convincing clarity, that defendants' publication was imbued with actual malice," Yohn wrote in his 17-page opinion in *Sprague v. The ABA*.

Sprague's first victory in the case came in November 2001 when Yohn refused to dismiss the suit, ruling that the magazine's description of Sprague in an October 2000 article as "perhaps the most powerful lawyer-cum-fixer in the state" was capable of defamatory meaning, according to court records.

The ABA's lawyers had argued that the description was clearly intended as a compliment since the term "fixer" is often used to describe "a prominent, highly successful lawyer, widely known and sought after for his effectiveness as a problem-solver and trouble-shooter in connection with politically sensitive issues and cases."

But Yohn sided with Sprague and found that "fixer" also has a negative meaning that includes the criminal act of "fixing" cases.

The ABA was on the winning end in the next round of litigation when Sprague and his lawyer, James E. Beasley, conceded that Sprague is a limited-purpose public figure and therefore must meet the actual malice test, according to court records.

In July 2002, the ABA's lawyers -- Joyce S. Meyers and Michael Twersky of Montgomery McCracken Walker & Rhoads -- moved for summary judgment, arguing that Sprague didn't have the evidence to meet the actual malice standard which calls for "clear and convincing" proof that the defendant "in fact entertained serious doubts as to the truth of his publication."

Now Yohn has denied that motion, finding that Sprague's evidence of actual malice just may be enough to convince a jury.

Yohn found that Sprague's case is "unique" and presents a question that has never been addressed by the 3rd U.S. Circuit Court of Appeals about defamation cases focusing on the use of an ambiguous word or term.

"The novel issue ... is how to apply the actual malice standard to a publication that contains a word of dual meaning, where one meaning is unquestionably defamatory, and the other is unquestionably not," Yohn wrote.

Yohn looked to the law of other federal appellate courts and found that "where a plaintiff's defamation case depends on material that is capable of both defamatory and innocuous meanings, other circuits have interpreted the appropriate inquiry to be defendant's state of mind as to a reader's potential defamatory interpretation of the material."

In *Salano v. Playgirl*, Yohn found, the 9th Circuit described the actual malice standard in such cases as requiring proof that the defendant "either deliberately cast its statements in an equivocal fashion in the hope of insinuating a false import to the reader, or that it knew or acted with reckless disregard of whether its words would be interpreted by the average reader as false statements of fact."

As in any actual malice case, Yohn said, the focus must remain on the defendant's "actual subjective state of mind."

But since defendants are unlikely to admit to a subjective state of mind that is a ground for liability, Yohn found that "objective circumstantial evidence" is sufficient to show actual malice.

Applying the test, Yohn found that while the ABA Journal's employees deny intending or even anticipating that readers of the Journal would interpret the term "lawyer-cum-fixer" in the defamatory way, Sprague nonetheless has evidence that could lead a jury to reject those denials.

The author of the article, Terry Carter, admitted in his deposition that he looked up a dictionary definition of "fixer" and that one meaning included among the definitions was the defamatory meaning, Yohn noted.

Carter also testified that it might be impossible to think of an accusation against a lawyer that is more defamatory than accusing one of being a fixer, Yohn noted.

And the magazine's managing editor, Debra Cassens, who reviewed the article before it was published, conceded in her deposition that she assumed that the average reader of the ABA Journal would be familiar with both meanings of the word "fixer," including the defamatory one.

Yohn found that the ABA Journal has also previously used the terms "fix" and "fixer" in negative contexts in articles discussing allegations of fixed cases.

"Such prior negative use is valid evidence supporting a jury finding that Journal editors knew of the defamatory capacity of 'lawyer-cum-fixer,'" Yohn wrote.

Sprague also has evidence that the original draft of the article included more information about Sprague's legal experience that was deleted before the article was published, Yohn noted. The judge found that although it is "highly debatable" whether the jury should draw any inferences from the decisions to edit certain words and phrases out of the story, it was nonetheless "proper evidence for jury consideration because, taken in a light most favorable to plaintiff, they may bear on the actual malice issue."

Considering all of Sprague's evidence, Yohn concluded that a reasonable jury could decide that the magazine acted recklessly since it knew of the defamatory meaning of the term "fixer" and its potential for causing reputational harm.

Falun Gong Convenes At Capitol (WTimes)

By Mark Powell

The Washington Times, July 23, 2003

About 1,500 practitioners and supporters of Falun Gong rallied on the Capitol's west lawn yesterday, where they held a mock trial of former Chinese President Jiang Zemin.

It was the fourth consecutive annual Washington demonstration, following Mr. Jiang's July 1999 crackdown on the meditation sect.

The group says its members are routinely tortured while detained in China and that about 750 Falun Gong practitioners have died in custody.

China has outlawed the group, which it calls an "evil cult."

Yesterday's event was the culmination of several days of activity that began with the arrival late last week of about 5,000 Falun Gong proponents from around the world.

Falun Gong is a yogalike combination of meditation and gentle physical posing that is said to enhance general well-being.

Paul Yuan, a computer systems consultant who traveled half way around the world from Sydney, Australia, said that Falun Gong is apolitical, but that Beijing is "jealous" of its vast appeal to ordinary Chinese.

Terri Marsh, a Washington attorney who filed a lawsuit against Mr. Jiang in U.S. District Court for the Northern District of Illinois, was also at the rally.

Ms. Marsh and her associates said they have a track record of convictions of several international figures using available U.S. laws, including the Alien Tort Claims Act and the Torture Victims Protection Act.

She said Mr. Jiang was served papers on the suit in Chicago in October, just days after its filing there, by "substitute service" - essentially, serving Mr. Jiang's security detail.

Legal experts said the lawsuit is almost certain to be dismissed because national leaders are immune from prosecution.

China's Spiritual Outlaws (WPost)

Falun Gong Bring Their Cause To Capitol Hill

By Philip Kennicott

The Washington Post, July 23, 2003

Former Chinese president Jiang Zemin, or rather a padded cardboard box wrapped in a black T-shirt that is representing him in effigy, is getting a lecture on the details of human immolation: "We all know that hair is one of the first things that burn on a human body," says a woman, called as a witness in a mock trial yesterday at the West Front of the Capitol.

This little fact about self-immolation matters at the moment because the Chinese government has accused the Falun Gong spiritual movement of (among many other crimes) inciting its members to burn themselves in protest. Falun Gong members, who met in Washington over the past few days to mark the fourth anniversary of a brutal repression that began under Jiang's rule, deny the charge. And in yesterday's mock trial they produced a videotape they claim shows, among other inconsistencies, a self-immolation victim whose hair isn't burning the way one might expect. Conclusion: The self-immolation incident, which was widely

broadcast (with devastating effect on Falun Gong's popularity) on Chinese television, had nothing to do with Falun Gong and may have been set up, misrepresented or somehow faked.

Four years into the struggle between Falun Gong and the Chinese government, there is a sense that this has become an insular squabble, charge and countercharge, claim and rebuttal, all of it becoming rather too internecine for casual observers to sift the facts from the chaff. At a meeting in the Rayburn House Office Building on Monday, Falun Gong practitioners argued that the Chinese government's repression has extended its long reach to the United States. They say Chinese officials hire thugs and illegal immigrants to intimidate, threaten and beat up Falun Gong believers. People told of vandalized apartments, arson, and ominous calls from Chinese consulate officials to hotel proprietors, newspaper publishers and anyone else who hosts, or supports, or helps Falun Gong spread its message.

A Chinese Embassy spokesman denies it, but there's enough concern that Rep. Henry Hyde raised the issue of an attack on a Falun Gong practitioner in Illinois when the Republican met with Li Peng, a top Chinese official, last year. Li responded, according to sources familiar with the meeting, with a familiar line: Falun Gong is an evil cult.

If the hundreds of people in yellow T-shirts, sitting cross-legged in neat rows underneath yesterday's braising sun and rain, feel wounded, it's because "cult" is a label that sticks very easily. It was unveiled, in earnest, four years ago when large Falun Gong demonstrations in China so unsettled the Chinese government that it began an often-violent crackdown. But even if Jiang Zemin was on trial yesterday for the crackdown -- accused of torture, economic repression, even, say his accusers, genocide -- he has also managed to put Falun Gong on trial in the court of public opinion.

"Falun Gong has been outlawed by the Chinese government," says Sun Weide, spokesman of the Chinese Embassy. "The reason for this is that this evil cult has committed many crimes. It has caused over 1,700 deaths, including those people killed by Falun Gong practitioners, including people who have burned themselves."

These kinds of charges (vigorously denied and mostly unsubstantiated), and especially the word cult, can sow confusion and suspicion, followed by a befuddled indifference, among outsiders.

Cult is a word without much use outside the realm of religious mudslinging. Falun Gong certainly doesn't qualify in the limited, pernicious sense of the word: It does not coerce obedience, brainwash its members, gouge them for money or compel worship of its founder, Li Hongzhi. It doesn't wear down their egos, then build them up in the new image of the spiritually transformed. Most of the writings of Li Hongzhi, who now lives in the United States, are expressly apolitical. The basic Falun Gong motto, "Truthfulness-Compassion-Forbearance," couldn't be less threatening.

But Falun Gong isn't just about these pleasant generalities. Its specific beliefs about how the body works, how science intersects with spirituality, and the benefits of practicing Falun Gong, are more controversial. Practitioners generally describe Falun Gong as a fusion of traditional Buddhist and Taoist elements, but there is a strong overlay of what -- from a skeptical, outsider's point of view -- reads like pseudo-science. Li Hongzhi's basic text, "Zhuan Falun," frequently claims that modern science has found evidence to support spiritual claims; for instance, that humans have a "third eye" that can be opened through spiritual practice.

He also uses science to make claims about his own spiritual powers.

"I have also been tested, and the detected radiation of the generated gamma rays and thermal neutrons was 80 to 170 times more than normal matter," he writes, though this is a rare moment of self-aggrandizement.

Michael Yang, a Falun Gong practitioner and a medical doctor trained in both Western and Eastern traditions, says that there is no particular obligation of any practitioner to believe everything in precisely the same way. As a psychiatric resident with Thomas Jefferson University in Philadelphia, he says he has seen the benefits of Falun Gong with patients. But he has also heard the caricatures of Falun Gong from its critics.

"Aliens, supernormal abilities," says Yang, a bit wearily. "I don't need to defend [Li Hongzhi] for that."

Conversations with several Falun Gong members suggest that a spectrum of belief -- that some people believe after a fashion and others just believe -- is perfectly acceptable within Falun Gong. That means, even though it is not considered a religion, that faith in Falun Gong is a lot like faith in any other spiritual system. Part of the challenge is figuring out one's personal relationship to the miraculous, the unlikely and the irrational.

As for the popularity of Falun Gong among some intellectuals and scientists, Robert Oxnam, a former president of the Asia Society, speculates that the desire to join the Falun Gong movement -- to be part of one of the most serious challenges to China's authority since the protests of Tiananmen Square -- may help override doubts about the particulars of practice.

"It is a little bit like what happened in the 1960s in the United States," he says. People signed on to movements and worried about the full implications of it all afterward.

As for the Chinese government, its motivations for the repression are equally multifaceted. Two theories are generally advanced. One is about numbers, the other is about history.

The numbers theory says that any group that grows too large -- at its height, Falun Gong claims it had 70 million to 100 million believers -- in China will be swatted down. At the mock trial, a witness argues that Jiang was petty and jealous, that he "felt threatened by the ability of [Falun Gong] practitioners to gather in such large numbers."

The history argument makes a parallel between Falun Gong and the Boxer and Taiping rebellions in 19th-century China. Both had spiritual, mystical components. According to scholar Frank K. Flinn of Washington University in St. Louis, the "Chinese authorities have never underestimated the power of the religious component to motivate the masses."

Both the numbers and the history argument may have truth to them. But there seems more to it, something about Falun Gong that suggests a "perfect storm" argument as well. Falun Gong was introduced to the public in 1992 when China was suffering the ups and downs of moving towards a more capitalist system. Old social safety nets were becoming frayed. The Internet soon made it easy to spread new ideas. And Falun Gong dealt with old spiritual crises -- such as envy and resentment -- that had taken on new meaning as economic inequity became more pervasive.

Li Hongzhi's writing also suggests a mechanics of moral exchange that makes Falun Gong particularly resilient. Virtue, he says, is a material white substance that surrounds the body like an energy field in another dimension. Virtue can be exchanged, almost like a commodity.

"While one person is here swearing, with this swearing, a piece of virtue from his own dimensional field leaves and goes to the other person," he writes. "The more he swears at him, the more virtue he gives him."

In Christianity, the meek will inherit the Earth, but who knows when, and in what fashion. With Falun Gong, the meek are constantly racking up the virtue lost by those who oppress them; suffering replenishes them.

Around 11 a.m. yesterday, before the mock trial began, a little breeze came over the Capitol lawn, a short burst of music sounded from a loudspeaker, and suddenly a crowd that had been milling around, standing for pictures, distributing signs, was quiet. From hubbub, silence and as if on cue, people were seated, hands together, faces serene.

There's something uncanny about large groups of people doing things in precise, orderly ways. Falun Gong may have terrified the Chinese government not so much because of an explicit threat to its control but because it moved and operated by mysterious, immanent principles that mystified officialdom.

Those principles would probably mystify the U.S. politicians who have signed on to the defense of Falun Gong over the years, and the tourists who stop by the edges of the protest meeting yesterday. But, here, under the shadow of the Capitol, the people's right to do mystifying things is not being abridged. And the more mystifying those things are, the more impressive that right is.

Castro's Foes Feted By French (WTimes)

By Tom Carter

The Washington Times, July 23, 2003

The French Embassy in Havana recently put liberty, equality and fraternity on display by inviting Fidel Castro's political opponents to eat canapes and drink vintage Bordeaux at its annual Bastille Day soiree.

"The dissidents were invited. They came, and they were very happy to be there," said Agnes Vondermuhll, French Embassy spokeswoman in Washington. "They were satisfied."

The invitations to the dissidents this year were part of an effort by EU nations to protest the Cuban government's recent crackdown on dissidents.

In March, Cuba arrested 75 opposition figures and sentenced them to as long as 28 years in prison.

The Cuban government found dissidents guilty of treason after the U.S. Embassy began a concerted effort in the fall to invite Mr. Castro's opposition to the U.S. Interest Section in Havana for parties and other functions.

According to press accounts and French officials, some of Cuba's more prominent opposition figures, including Oswaldo Paya and Elizardo Sanchez, attended the Bastille Day party.

"The majority of my colleagues and myself are going to attend this celebration, not with an attitude of defiance toward the government but defending our essential right to accept any invitation we receive on civilized terms," Mr. Sanchez, head of the Cuban Commission on Human Rights and National Reconciliation, told the Associated Press as he entered the embassy.

On July 14, 1789, French peasants stormed the infamous Bastille Prison in Paris and began the French Revolution.

The Bastille Day party is one of the more anticipated social events in Havana each year, attended by hundreds of diplomats, businessmen and Cuban government officials. Mr. Castro has attended some past celebrations.

This year, dour-looking Cuban government officials showed up at the ambassador's residence and returned their invitations before leaving.

It was suggested by several that it was not safe for government officials to break baguette with the French this year.

After Cuba's crackdown on dissent, the European Union's relationship with the communist-ruled island has been in a downward spiral.

On June 5, the European Union made a declaration regarding the crackdown.

"Following the recent deplorable actions of the Cuban authorities ... the EU has unanimously decided to: Limit the bilateral high-level governmental visits; reduce the profile of member states' participation in cultural events; invite Cuban dissidents at national day celebrations; [and] proceed to the re-evaluation of the EU common position.

And French and Spanish embassy officials said the European Union sent a memo to its member embassies in Havana directing them to invite dissidents to their functions.

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