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## THIS WEEK YOU NEED TO KNOW

### Who Did Kill Cock Robin, After All?

by Lyndon H. LaRouche, Jr.

*The following was issued by the LaRouche in 2004 campaign committee for Presidential pre-candidate LaRouche, on June 5, 2002.*

Who is to be blamed for not preventing September 11th? It is clear that there are some people, Democrats and others, in the U.S. Congress, and elsewhere, who are as quick to blame President George W. Bush for not acting to prevent the true horrors of Sept. 11, 2001, as some Democrats, and others, were to impeach President Clinton for the sake of what was, at bottom, merely a disgusting bit of personal fiddle-faddle.

Every sentient adult alive in the United States today knows, like most leading literate folk around most of the world, that I am stoutly opposed to President Bush's current, foolish economic and military policies; but, neither I, nor any other sane and honest person, is going to resort to the purely factitious fraud of blaming the President of the U.S.A. for errors he did not commit. I am not some corrupt opportunist, like those donkeys who staged an attempted lynching of President Clinton—or some of the same donkeys, and others, now attempting to pin the donkey's tail on President Bush for Sept. 11, 2001.

For example. Where is the proof that Al-Qaeda organized and conducted the horrors of Sept. 11, 2001? No government anywhere has yet presented plausible proof that Osama bin Laden was the author of that attack on the U.S.A. Close examination of the physical evidence of the crime itself, proves that bin Laden could not have organized such an operation. Apparently, no one among those self-important critics of the President, has even asked the crucial question which I asked publicly, in a live broadcast interview, during the moments the attack on those towers was being announced: Why did the attackers hit the New York towers first, when they were in a position to choose to hit the nation's capital first? I said then, that I hoped no one would be silly enough to blame Osama bin Laden for these attacks.

Evidence be damned: Now, in the Congress, and in much of the mass media, the dog-and-pony show rambles on, and on, and on.

### A Matter of Competence

Before accusing either the CIA or Justice Department of incompetence in this matter, why not begin with what should be the obvious first question to be asked: Is the Justice Department usually competent in its report of any important investigation? Consider a few glaring examples of that problem.

The customary practice of the Justice Department, as in the case of Sept. 11, is to try the evidence in secret, and then present an indictment and conviction without any display of actually truthful evidence supporting that claim. Often, relevant evidence is simply excluded, on grounds that it might tend to prevent the jurors from returning the pre-programmed "guilty" verdict.

Or, take the evidence of massive Israeli spying against the U.S. military and other targets, even on the territory of the U.S.A. Or, take the role of George Soros and other Wall Street figures' support for drug trafficking into the U.S.A. and elsewhere from Central and South America. Or, take the related case of end-runs to protect the money-laundering of such drug money through financial-derivatives channels.

In these and other ways, government institutions, such as the Justice Department or Congress, choose their findings first, and then select, or concoct their evidence to fit such biased pre-judgments. One can hear the prosecutor shouting: "We are going to hang Joe Doaks; it is your job to invent the testimony and other evidence needed to convict him before a rigged jury."

In the case of Sept. 11, the pattern of crucial known facts about the attacks themselves, shows that no one outside of a handful of very high-level inside plotters had any actual knowledge of that operation beforehand. It is known that intelligence and law-enforcement agencies did have foreknowledge of a potentially terrorist "anti-globalization" riot in Washington, D.C. for later in September.

In any case, since bin Laden et al. were intrinsically incapable of organizing the actual operations of Sept. 11, no U.S. intelligence/security agency not complicit in the attacks could have had relevant knowledge warning of such attacks.

## **Truth, Not 'Spin'**

The lesson to be learned from the furor about the presently rewarmed old gossip about "Who lost us China?" is that until we have security and intelligence services which are committed to discovering and telling the truth, and a Congress which wishes to hear plain truths—contrary to its perceived factitious self-interest—the intelligence and security processes of the U.S. government will continue to stink. A competent intelligence service tells us truthfully what we need to know, not what we prefer to hear.

The Executive and Congress should make truth, not "spin," the standard for intelligence work. It would be a wonderful change!

This brings us to current intelligence on the subjects of Senators McCain and Lieberman. There, is a really juicy story, about which much important evidence is already available. Why not practice the search for truth in such a readily accessible matter as that, to begin with?

***FLASH!***

## **Wall Street's Magicians & Their Tricks — Once Again, They Have Fooled You!**

**by Lyndon H. LaRouche, Jr. — Friday, June 7, 2002**

Do you remember the story about "The Emperor's New Suit of Clothes"? It is a story about the kind of thing which could happen to you, and did happen to most of you living in the U.S.A. today.

If you learned the lesson of that story, many among you should stop being so perversely self-righteous in your complaints against the U.S. intelligence services. Neither the government, nor Wall Street, nor the mass media, could ever have fooled you as they customarily do, if you did not virtually beg to be fooled, exactly as most of you today beg to be fooled into believing, still, even now, in a non-existent economic "recovery."

For example: Do you remember the origin of the term "magician"?

Do I hear some among you mutter, "Are you trying to explain something to us, again? We wish to be fooled, leave us alone. Don't try to take our games away; let us be as happily fooled as we wish to be"? If you had cared enough to discover how magicians, now, as then, play their tricks, you would not have voted as foolishly as most of our voters, or non-voters, alike, have done recently. When your giddy neighbor's hyperinflated mortgage will be foreclosed, you may then wish you had cared enough to pay more careful attention to the warnings of such things which I had written for you.

If you still believe in "going along, to get along" with "popular opinion," you may not win the prize for being the biggest fool on this planet, but, at the least, you are in the running. I explain the fraudulent tricks of "free trade," which so many of you, have paid the Enron accountants, Fed Chairman Greenspan, or other magicians, to play upon your senses, to fool you as successfully as they have done so far.

First, before looking into the common frauds of today's accounting practices, I explain the general principles of how the people who fool you, learned how to lead you around by the nose, most of the time, and make you come back for more of the same. And I shall explain, in the course of this report, the essential feature of the trickery by means of which most of you are fooled. That is the trick of inducing the intended victim to believe that he actually knows some nonsense which he, the victim, has been induced merely to learn, as, perhaps, from "looking it up" on the Internet, or "following the news."

I throw these things at you, not to hurt you, but to call your attention to the life-raft you now need, very much, if you are to survive the *Titanic* shipwreck the economy has become.

## 1. WHO ARE THE MAGICIANS?

According to the best official sources, that famous fooler known as the cult of Apollo at Delphi, began its operations at that location, as the satanic, snake-worshipper's religion of Gaea and Python. In the course of time, a strange fellow, named Apollo, is alleged to have wandered in from Asia, chopped the phallic god Python (the snake) into pieces, and then buried the evidence. A bit later, this same Apollo, allegedly, was seized by a fit of remorse, or, perhaps, triumphalism, and established the temple of snake-worship called the cult of the Pythian Apollo at that gravesite.

From that time, past the time the famous Apollo priest, Plutarch, operated from that site, a silly babbler, called the oracle, produced the symbols, or virtually meaningless jabber, which the attending priests of Apollo, like stock-brokers, would interpret, for the visitors, for a price. This cult of Apollo became the leading private banker of the Mediterranean region in their time, and the model imitated by most among the teachers, professors, financial accountants, and mass media columnists and Sunday morning talk-show hosts of today.

These priests of Apollo were the chief architects of nearly every known bit of major foolishness which the Greeks and others afflicted upon themselves during the relevant times. That same foolishness has been passed down, through the times of ancient Rome, to those modern imitators of the priests of Apollo, who are controlling most of the universities and mass media, and also our government institutions, to the present day. So, the Nasdaq hoax called "the new economy" was crafted, in the same fashion as the legendary "Emperor's New Suit of Clothes."

If you doubt that, those many of you who have been the sorry victims of the "information theory" hoax, and the like, should know, by now, that my warnings were true. Therefore, you should have understood how the magicians work, and should never be fooled like that again. If you are fooled again, it will probably be that you are like the man who seeks love from a prostitute (and, then, perhaps, afterwards, beats her for pleasure). Or, perhaps, the person who seeks such something-for-nothing as love from a lottery, or a gambling casino, or all such combined. He is fooled, simply, because each such fool wishes to be deceived into any illusion, which, for even a mere moment, "makes him or her feel good." You may be familiar with that feeling.

Among the principal models for those methods of mass manipulation, was a priest-caste which played an important role in the history of ancient Greece, a caste associated with Mesopotamian empires, known as the magi, or magicians. The modern English use of the term "magician" has that origin. The techniques of the modern entertainer, known as the stage magician, employ principles of trickery which are essentially identical with those employed to empty the pockets, and take the souls, of the majority of U.S. citizens living today. I must emphasize, that this is exactly the same swindle, exposed as a fraud by Carl Gauss, back in 1799, but used, to this day, by the dupes of the hoaxster Joseph-Louis Lagrange, to pretend to reduce physical science to the mere shadowy forms of ivory-tower mathematics.

Take, as an example, the often referenced image of a faker who lures a credulous population into believing that he has, in some way, caused an eclipse to occur. Consider, similarly, the case of the superstitious fool in the U.S. Congress, who seeks riches for his re-election campaign funds, even if it bankrupts his constituents, if he does something which makes the Wall Street magicians happy.

## The Secret of Sense-Uncertainty

The most effective way in which magicians and others succeed in causing people to fool themselves, is to say to the intended victims: "Seeing is believing." Or, for example: "See, the market is up today." Or, "I measure success by what I read on the bottom line!" Or, "All the eyewitnesses agreed." Or, "But he had such an honest face!" So, direct the victims' attention to what you wish them to focus upon, give them the sense-experience they wish to believe, and, often, they are easily fooled.

There is a deeper principle of physical science behind the way many people are fooled. It is the principle which separates merely learning from actually knowing. In today's modern world, the simplest way to illustrate that point, is by referring to modern microphysics. No one can actually see, hear, touch, or smell a microphysical reality, such as nuclear radiation, but we can know that radiation exists. It is not merely a matter of objects too small to be seen, even with a microscope. The universal gravitation which controls the Solar orbits, is scarcely too small to be seen, but its efficient existence can not be denied, even by Wall Street.

The secret of the magicians' frauds, ancient and modern alike, was exposed about 2,500 years ago, by Plato, in his dialogues. Typical is Plato's use of what is best known as his parable of The Cave. The argument of that parable is fairly described in modern terms, as the statement, that what our senses show us, is not reality as such, but, rather, something analogous to shadows cast on the irregular surface of the walls of a dimly firelit cave. What we *learn* to perceive, is those shadows; what we should desire *to know*, is the unseen objects which cast those shadows, objects such as universal gravitation, or nuclear fission.

Seeing, hearing, touching, and smelling, are usually the results, registered by our mind, of some form of excitement, called sense-perception, which is induced within the relevant aspects of our biological apparatus. Our senses do not tell us what lies *outside* our skins; by themselves, our senses can do no better than alert us to sensations experienced *within* our skins. We can learn from such experience; but, we can not actually know what lies outside our skin, except by a different quality

of the mind than mere sense-perception. That different quality of the mind is called knowing, or, it were better to use the more precise technical term: *cognition*, a quality of mental life which does not occur in any known living species but individual human beings.

Recognizing the significance of this distinction, between merely *learning*, and the act of cognition called *knowing*, is your only real protection against being fooled in the ways today's U.S. voters, for example, usually are. The essential trick played by the crooked or simply mean-spirited magician, involves getting the victim to become so obsessed with the desire to learn the solution to a problem posed as a distraction, that that victim, at least for that moment, forgets about actually knowing.

The fellow who says: "Don't ask me to work out the solution! Just give me the bottom line! What is the answer? Cut out that long-winded part; I just need the answer!" The fellow peeking in the back of the book for the answer to the problem, is the kind of fool a magician is waiting for. Think of that magician as the spider waiting for the next fly.

For example. A man falls dead after a shotgun blast is heard on the street. The policemen on the case, trying to keep everything neat and simple, arrest the man carrying the shotgun in its case, but, back at the station, are mystified by the lack of any evidence that that shotgun had been recently fired. Then, some wise guy upsets everyone by asking: "What about the plumber, carrying the two pieces of pipe, who disappeared shortly after the incident?" In the interest of keeping things simple, no one had thought to suspect anyone but the man carrying the shotgun. The yelling broke out when the wise guy from the prosecutor's office asked: "Was the man with the shotgun totally innocent of that crime, or was he the decoy, covering for what you thought was the plumber?" In other words: Were the police on the scene set up?

One wonders if the Justice Department, in today's Washington, D.C., would have stuck to its presumption, that the man carrying the shotgun must have been the shooter in the case? In any case, would the man carrying the shotgun have known in advance about the shooting itself, even if he had been deployed by someone behind the killing?

The same blunder was made by the U.S. Justice Department, and others, in the case of the attacks which occurred on the morning of Sept. 11, 2001.

In a plot as sophisticated as Sept. 11, 2001, the blunderers led themselves down a false trail laid for them by the perpetrators. Why did the plotters behind Sept. 11th elect to hit New York first, when they could have hit Washington, D.C. targets, such as the White House itself, first? Remember the trial in the case of the earlier case of the bombing at that location. Was hitting New York in that way, intended to create a trail that would lead simple-minded investigators to the door of Osama bin Laden, all for the sake of that Brzezinski-Huntington-Bernard Lewis "Clash of Civilizations" war-plan, which has been set in motion in response to Sept. 11th?

Any careful reflection on the known facts of Sept. 11, 2001, suffices to show a degree of sophistication in the operation far, far beyond anything within the reach of the mind of former Anglo-American terrorist asset Osama bin Laden. The word from the top was, that no one wished to hear about such facts. Their minds were made up. They were going to bomb Afghanistan, and wished no facts which might lead to a different suspect. They believed what they wished to believe, and the relevant magician's sleight-of-hand tricks with the facts, did the rest.

Such is the modern practice of magic.

Back to Plato's Cave. How can you know not to be fooled?

## 2. WHAT ACCOUNTANTS DON'T KNOW

For example, were mankind merely some higher form of ape, the living population of this planet would have never exceeded a bit more than several millions individuals, under the conditions prevalent during the recent two millions years.

Notably, as we can show most readily from study of the factors of technology chiefly responsible for the progressive aspects of demographic changes, during the recent six centuries of globally extended European civilization, this absolute superiority of man over all lower forms of life is the result of two classes of increase of practiced knowledge during those centuries.

The first, is the Fifteenth-Century Renaissance's rebirth of physical science, after about 1,600 years of decadence under the rising power of Rome throughout the Mediterranean and adjoining regions. The second, related factor, was the parallel rebirth of the principles of Classical artistic composition after 1,600 years of domination of European culture by Romanticism. These two sets of positive changes in the course of European civilization are typified by the work of the Fifteenth-Century Renaissance, as typified by such names as Filippo Brunelleschi, Nicholas of Cusa, Leonardo da Vinci, and Raphael Sanzio.

The evidence is made clearer, by the efforts of the Romantic reactionaries to turn back the clock of history, as under the Habsburg and related Venetian influences expressed during the 1511-1648 interval of horrible religious warfare. The rebirth of the Renaissance, centered around the anti-Romanticism circles of Mazarin, Colbert, Leibniz, and J.S. Bach, and the resurgence of the Classicism of Cusa, Kepler, Leibniz, and Bach with the late-Eighteenth-Century rise of the Classical opposition to the decadence of the British and French Enlightenment, illustrate a crucial point.

For reason of a number of political-cultural and natural causes, the civilization of the Mediterranean region entered a dark age of catastrophic cultural decline, during a period of centuries preceding and following a point about 1,000 years before the birth of Christ. After a few hundred years, the maritime cultures of what we call ancient Homeric Greece, Cyrenaica, and the Etruscans, prospered under the influence of a revived culture of Egypt. From the time of Thales, Pythagoras, and Solon, there were centuries of net progress in the leading edges of scientific and artistic discovery and practice, up to about the time, 212 B.C., the Romans murdered Archimedes.

The rise of Roman power, during and following the period of the Second Punic War, marked a long wave of persisting cultural degeneration in European and adjoining cultures. European civilization did not reach the cultural level of thought of the science and art of ancient Classical Greek and Hellenistic civilization, until the Fifteenth-Century, Italy-centered Renaissance.

Thereafter, as I have indicated above, although the benefits of the Renaissance persisted somewhat, the period 1511-1648 was a relative dark age of Venice- and Habsburg-dominated, anti-Renaissance evil in European civilization, until the renewed Renaissance centered around Leibniz and Bach, in the aftermath of the 1648 Treaty of Westphalia.

And, so on, and on, the ebb and flow of civilization has proceeded, until now.

To restate and summarize the point so illustrated: There are periods of well-defined ebbs and flows in the progress of the human condition, ebbs and flows which are expressed, notably, in periods of improvements, or stagnation, or even brutal regression in the demographic characteristics of both particular cultures and mankind more broadly. The markers which are associated with such changes, correlate chiefly with two typical, determining factors. These two are, first, the discovery and persistence of forms of scientific and artistic knowledge consistent with discoveries of efficient kinds of universal principles, and, second, the variable degree to which that knowledge either shapes the internal practice of nations and their cultures, or the practice of that knowledge by society, is more or less suppressed. These forms of knowledge are, each and all, of the quality known as knowledge, as distinct from mere learning.

It is those mental processes, called cognition, as distinct from dependency on learned sense-perception, which provide an absolute distinction between the human individual, and society, on the one side, and animal life in general. That is the point of difference between a society behaving as a set of human beings, and a society which substitutes the method of learned tricks, like the tricks of a circus animal or trained dog, for those distinctively human forms of understanding classed under a proper definition of "cognition."

In point of fact, if we measure changes in the productive powers of labor in physical terms, per capita and per square kilometer, the sole ultimate source of the increase of those productive powers is the application of technologies which are derived from experimentally valid discoveries of universal physical principles. In modern society, economic progress occurs as the successful development of agriculture, mining, and manufacturing, provided these are conducted in an environment shaped by very large proportions of well-chosen investment in developing and maintaining basic economic infrastructure.

Among the most essential investments in basic economic infrastructure, is generalized public and higher education, a category of investment chiefly aimed at the portion of the total population between the ages of 6 and 25 years. The ability of a society to receive the discoveries of principle from earlier generations of mankind, to apply those discoveries in a cooperative way, and to generate added discoveries of the same type of quality, depends largely upon the quality of the education delivered to that stratum of the population.

Similarly, the improvement of nature, through large-scale modern forms of transportation, water management, and generation and distribution of power supplies for the society as a whole, is, by its nature, primarily a responsibility of government, not of private enterprise. Yet the relative productive potential of farms, mines, and factories depends absolutely upon that public investment in basic economic infrastructure.

Now, go to the blackboard at the head of the university classroom. Let the fellow teaching accounting or economics show, on that blackboard, how real social profit, an increase in the productive powers of labor, is generated in any society. He can not do it. He may appear to do it, if the students are foolish enough to believe he does; but, if they do, they have been duped by a typical magician's trick.

Hey, Professor: "Show me, on your blackboard, where and how you account for the discovery and application of universal physical principles as the efficient cause for an increase in the productive powers of labor."

If the Professor is a well-trained swindler, he will probably argue that increases in social productivity come about through a kind of frictional-statistical mechanism which he identifies, with a wave of his hand, as "free trade," otherwise called by many "the magic of the marketplace."

This swindle, of waving a hand in the direction of the blackboard, and claiming that the principle of economic success is all a matter of magic, is the fraud taught as accounting and economics in most academic classrooms and public debates on issues of law-making concerning these subjects today. Little wonder, that the performance of the U.S. economy over the past thirty-five years, especially since August 1971, has been one giant "hand-waving" swindle.

The question which the Professor is ducking, should be reformulated as follows.

"Professor, let's cut out the magic, and stop chattering about 'invisible hands.' Let us get back to the real world. What is the form of action by means of which the effect of growth of productivity, per capita, and per square kilometer, is caused? What experiment might we conduct, some equivalent of a crucial laboratory experiment, by means of which we can prove that that principle of efficient action actually exists?"



"Professor. Give us an example of a typical form of experiment, in which we can demonstrate, here and now, the existence of a cognitive process of the individual human mind, through which we can prove knowledge of something which can not be seen with the senses, but whose efficiency, as a universal principle, can be proven conclusively to the satisfaction of the senses. That, Professor, is what we mean by the kind of principle of action, which you failed to show on the blackboard, a principle without which all that you claim is nonsense."

Take, for example, the original discovery of a principle of universal gravitation, by Johannes Kepler, as reported in detail in his 1609 **The New Astronomy**.

In that case, as in every valid discovery of a universal physical principle, the discovery was prompted by recognition of some crucial kind of self-contradiction in the equivalent of experimental evidence. That is to say, that according to previously accepted definitions, axioms, and postulates, the evidence confronts us with something which is never supposed to happen, but, does happen, repeatedly. According to the general set of definitions accepted by the followers of Aristotle, Kepler's measurements showed not only that such diverse followers of Aristotle as the astronomers Claudius Ptolemy, Copernicus, and Brahe, were each and all wrong, but that the method of Aristotle was absurd relative to physical evidence. Kepler showed, experimentally, that the planetary orbits are governed by an efficient intention which exists entirely outside the limits of Aristotle's method. The name of that intention, is the universal physical principle called gravitation.

For the discussion of the problems of the U.S. and world economy today, I am using the case of Kepler to define scientific method in general, not only one principle of astrophysics. I am using Kepler as a model of what I mean, scientifically, experimentally, by cognition, rather than mere learning from sense-perception. I do so, because cognition, as Kepler's discovery of gravitation illustrates the meaning of cognition, is the underlying principle of physical action on which successful forms of actual economic processes depend, absolutely, and universally.

I restate the argument as follows.

The progress of mankind, from a potential relative population-density equivalent to that of the apes, to billions today, is entirely the result of a cumulative process of discovery and rediscovery of universal physical principles, that defined as such principles with the same connotations as Kepler's discovery of universal gravitation. The transmission of the experience of reenacting such discoveries, not as mere learning, but as reenactments of the original cognitive process of discovery, from one generation to the next, represents a process of accumulation of such cognitive knowledge. This is human culture expressed at its best. It is the ability of society to cooperate around use of a treasure of such transmitted cognitive knowledge, over successive generations, which is the principle of economic and related forms of progress.

It is a society organized around such cooperation in man's efforts to increase our mastery of nature, per capita and per square kilometer, which defines economic progress in the broadest terms. This is what the typical professor of accounting or economics, simply does not know. He waves his hands, again and again, but is never able to point to any actual principle which explains how an economy actually works.

## Whence the Magic?

The essential trick of the magician is best typified for modern settings, by considering two-and-a-half of the most typical swindles practiced by the magicians of our time: Aristoteleanism, empiricism, and existentialism. I describe all three from the standpoint of reference of generally accepted classroom forms of teaching of geometry and arithmetic from a Euclidean or quasi-Euclidean standpoint.



All three systems are premised on blind faith in what is called "reductionism." Each of these reductionist systems assumes that the universe is best described, in terms of a fixed, arbitrary set of definitions, axioms, and postulates. The usual result is what the Professor displays at the blackboard. These usually include blind faith in the presumption that numbers are originally defined in the form of counting numbers, despite the work of Carl Gauss which proved the contrary.

No principle of universal action is allowed to alter such a system. Thus, on that account, by itself, these three systems exclude any distinctively human quality from the economic process.

Aristotle is typified by the common failures of the astronomies of Ptolemy, Copernicus, and Brahe. Empiricism was introduced as a radical reform of Aristoteleanism, by Venice's Paolo Sarpi. The third system, existentialism, is a derivative of Kant's *Critiques*, based on the denial of the existence of truth. Fascism, as a philosophical-political system is a derivative of the combination of the form of radical empiricism known as positivism with the existentialist denial of truth.

All of these pathological types are implicitly fixed, "ivory tower" (a prioristic) systems, which leave an aperture for the purely arbitrary and mystical. The modern, anti-American system of British political-economy, bases its economic dogmas axiomatically on precisely such mystical assumptions as "free trade" and "invisible hand." Three cases are sufficient for reference here: Bernard Mandeville's thesis that allowing private moral corruption is the generator of the public good, Physiocrat François Quesnay's similar, pro-feudalist doctrine of "laissez-faire," and Adam Smith's doctrine of "free trade" and the "invisible hand."

As I have stressed in other locations, all three of these types have a common origin in the tradition of that neo-Manichean gnostic cult known variously by such names as the Cathars or, in memorable English slang, "the buggers." Typical of all, is the argument of Quesnay, that, since the peasants on the feudal estate are essentially human cattle, the profit of the estate is, by definition, a magical secretion of the landlord's title as such, and no efficient physical cause. There is no difference of principle between this and the pro-satanic argument of Mandeville, Smith's dogma in his 1759 **The Theory of the Moral Sentiments** and **The Wealth of Nations**, or the dictionary-nominalist mysticism of U.S. Justice Antonin Scalia's definition of "shareholder value," or between Scalia and the pro-slavery Locke doctrine of the Preamble of the Constitution of the Confederate States of America.

## ECONOMICS NEWS DIGEST

### Dollar Collapse Threatens To Bring Down the Bubble—Now!

The plunging value of the U.S. dollar has set off alarms in financial circles, amid fears that the failing U.S. economy will cause foreign investors to pull their money out of U.S. markets, further deflating the value of U.S. stocks and bonds. While the decline of the dollar is being welcomed by desperate domestic corporations and their creditors, who view it as an opportunity to raise prices on domestic goods (and thereby bolster weak balance sheets and increase their chances of paying their debts), the shift actually threatens to pull the foundation out from under the whole system.

The financial system is caught between the proverbial "rock and a hard place," with the specter of a dollar-led blowout on the one side, and a blowout in the corporate debt sector on the other. There are indications that Federal Reserve Chairman Alan Greenspan and the Bush Administration hope to walk a fine line between the two positions without falling into the abyss on either side, but reality is unlikely to cooperate with their delusions.

As Lyndon LaRouche observed in his May 28 webcast, "We are now in a depression" worse than the 1929-1933 period. "It is presently irreversible. Anything they do to try to prevent it will only make things worse." The only alternative is a new system, LaRouche's New Bretton Woods. - Global Implications -

The implications of the dollar collapse are cataclysmic for the bankrupt IMF system. As *EIR* has frequently pointed out, the U.S. economy has sustained itself on capital sucked in from the rest of the world, giving the U.S. a Current Account Deficit of more than \$400 billion a year. The U.S. has had a huge Current Account Deficit almost every year since 1971.

To keep the U.S. economy afloat, therefore, the U.S. has to bring in anywhere from \$1 to \$2 billion a *day*. As of early 2002, there were already signs that this inflow was declining sharply. Among the shaky regions was Japan, the financial sector upon which the U.S. has depended for stoking dollars into the Wall Street bubble. With Japan's reluctance to play the toady visibly increasing, the international financial authorities have begun to play hardball, with the latest move being the downgrading of Japanese government debt to incredible levels—equal to that of Botswana.

Some observers have speculated that the purpose of this bashing is to bring monies flowing back into the United States. After all, Japan's Current Account Surplus is approximately the same level as the U.S. Current Account Deficit!

It's unpredictable as to how fluctuations in the dollar values, which have gone down over 8% against the euro and the yen in recent weeks, will affect the massive financial crap-game called the derivatives market. Another major development reflecting the instability of the system is the rapid rise in the gold price, now headed above \$330 an ounce for the first time in years. Gold is traditionally seen as a hedge against financial turbulence. - Virtual Cycle -

Since the mid-1990s, the U.S. dollar has soared, as money flooded into the U.S. to buy stocks, corporate and government bonds, real estate and other assets. As the money poured in, both the value of these assets and the dollar itself rose, in what the speculators like to call a "virtuous cycle." Both U.S. and foreign "investors" benefited from the sharp rise in the monetary value of these assets, and the foreign investors got the added bonus of watching their dollar-denominated assets increase in value relative to their own national currencies.

This process fed upon itself, with the net capital inflow of foreign assets into the U.S. rising from \$142 billion in 1990, to \$466 billion in 1995 and \$1,024 billion in 2000, according to figures from the Commerce Dept.'s Bureau of Economic Analysis. The trillion-dollar influx in 2000 amounted to about \$2.8 billion every calendar day, and about \$4.2 billion every business day.

The year 2000 was the year the U.S. stock market hit its high-water mark and began to decline; since then, depending upon the fluctuations, U.S. stocks have lost in the range of \$5 trillion in market value, as the dot.com frenzy died, the bull market in energy trading proved to be mostly bull, and the telecommunications sector began to melt down.

One result of this massacre was to push the dollar down, as foreign investors began to cut back their U.S. investments. In 2001, the net capital inflow of foreign assets into the U.S. declined by \$129 billion—13%—to \$895 billion, and that decline appears to be deepening in 2002.

Should this disinvestment cross the line between orderly withdrawal and a panicked exit, the result for the financial system would be catastrophic, puncturing the overblown stock markets and triggering a chain-reaction collapse of the global financial system. - Debt Blowout -

The falling level of corporate income spells trouble for the holders of U.S. corporate debt. Only eight U.S. corporations are rated triple-A by Moody's and Standard & Poor's, compared to more than 60 in 1979. Some 60% of all U.S. public companies have ratings below investment grade, a polite way of saying junk. A record 216 corporations defaulted on \$116 billion of debt in 2001, and \$34 billion in debt was defaulted on in the first quarter of 2002, according to Standard & Poor's. Nearly every day's headlines bring reports of yet another company in trouble.

Much of this debt is owned by institutional investors such as mutual funds, pension funds, insurance companies, and the like. These institutions often protect themselves from defaults on these loans by buying credit protection in the form of credit insurance from insurance companies or credit derivatives from the commercial and investment banks, putting the banks at considerable risk from bond defaults.

The bankers are clearly battening down the hatches, switching unsecured debts to secured debts as fast as they can. The rash of cash-out mortgages to pay down credit card debt is one aspect of this push, as is the reduction of commercial paper to force companies into the bond markets, but there is no such thing as secured debt in a global blowout.

The police-state measures being implemented under the guise of combatting terrorism are another response to the financial crisis, and are actually a better indication of the severity of the crisis than the soap-opera disinformation found in the business pages. The system is coming down, just as LaRouche forecast. The only question is what will replace it, an American System recovery under LaRouche, or an imperial bankers' dictatorship.

—*Reprinted from an article by John Hoefle in The New Federalist, June 10.*

### Commerce Dept. Report: Foreign Investment in U.S. Dries Up

Foreign investment in the United States, to acquire or establish business, plunged by 60% in 2001, to \$132.9 billion from a record-high of \$335.6 billion in 2000, reflecting a sharp drop in merger and acquisition activity, especially in the telecommunication sector and computer industry, according to a report issued on June 5 by the Commerce Department's Bureau of Economic Analysis. Starting in 1998, foreign investment had grown at an unprecedented rate.

Year	Investment Outlays(\$ billions)
1992	15.33
1993	26.23
1994	45.63
1995	57.20
1996	79.93
1997	69.71
1998	215.26
1999	274.96
2000	335.63
2001	132.94

The largest investment outlays occurred to acquire finance (except depository institutions) and insurance companies, especially life insurance firms.

Industry	2000	2001	(\$ billions)
Manufacturing	143.3	35.6	
Information	67.9	26.0	
Finance and insurance	44.4	37.9	

By country, the biggest flow of investments came from Canada and Britain.

Country	2000	2001	(\$ billions)
Canada	28.3	16.9	
United Kingdom	110.2	16.6	
Japan	26.0	3.8	
Europe (as a whole)	249.2	72.1	

### Wall Street Journal Moots End of 'Invincible Dollar'

The *Wall Street Journal's* front-page article June 3, "No Safe Haven: Dollar's Slide Reflects Wariness About U.S.," worries that it looks like the end of the era of the "seemingly invincible dollar." The recent nosedive in the dollar's value against other currencies, the "beginning of a long-anticipated slide," shows that wary foreign investors are pulling out of U.S. markets, with "bigger implications than in the past," because the United States is "dependent to an unprecedented degree on foreign capital," to finance its current-account deficit. "A love affair is dying," frets Barton Biggs of Morgan Stanley melodramatically. This reduction of capital inflow to the United States, creates "unnerving parallels with countries such as Thailand and Argentina," he adds.

The Bush Administration officially supports a "strong dollar policy," Briggs suggests, but hasn't signalled worry about a further drop in the dollar, nor shown the inclination to try to stop the decline.

Japan's conservative Nikkei news service, ran the entire Wall Street Journal article.

### German Daily: 'Apolcalyptic' Crash in U.S. Could Provoke —. Horrors! Government Intervention!

Americans might riot and demand government intervention, as their pensions melt down, the German daily *Frankfurter Allgemeine Zeitung* mooted in its weekly financial market overview June 3. *FAZ* notes that investors are now finally realizing "the full extent of manipulation and fraud that was behind the tech-stock euphoria of the century." Obviously, the criminal actions by Enron and German "New Market" companies are just the "tip of the iceberg," as more and more large corporations become the subject of fraud allegations. Even positive government data can no longer impress any investors. Since the start of the year, the Nasdaq is down 23%, while the London tech market has lost one-third of its value.

*FAZ* then relates an "apocalyptic—let's hope fictional" scenario by Barton Biggs of Morgan Stanley, in which a further crash of tech stocks leads to a panic, and flight out of investment funds. In particular, the pension funds run into disaster. Private households, recognizing the "devastating performance of their pensions funds" demand government aid. In reality, the first large protest rally by angry pensioners has already taken place in Harrisburg, Pennsylvania. On top of this, another catastrophe is looming in the housing market, Briggs notes. Once interest rates start to rise, housing prices will fall, triggering "the collapse of the consumption miracle."

### 2002: 'Year of the Jobless Recovery'

The number of Americans collecting jobless benefits has hit a 19-year high, reports the New York Post's Beth Piskora, who dubs 2002 "The Year of the Jobless Recovery." The total number of workers receiving unemployment benefits, is 3.89 million, the highest since 1983.

In other "recovery" news:

\* Hewlett-Packard will cut 15,000 jobs in two stages: 10,000 by Nov. 1, and the remaining 5,000 in FY2003, a year ahead of schedule. CEO Carly Fiorina said she no longer expects even a "muted" recovery in the second half of 2002.

\* IBM will cut 1,500 jobs in its microelectronics unit, amid the collapse of the semiconductor industry, and will sell its hard-disk-drive business to Hitachi.

\* Birmingham Steel filed for Chapter 11 bankruptcy protection as part of an agreement reached last week to be bought by Nucor Corp. for \$615 million. Nucor would take possession of Birmingham's four operating mills in Alabama, Illinois, Mississippi, and Washington, with a total annual capacity of about 2 million tons.

## **Telecoms Continue To Melt Down**

Two of the world's top telecommunications companies hit the wall this past week, adding to the wreckage of telecoms globally.

\* *KPNQwest*, Europe's largest fiber-optic network operator, filed for bankruptcy on May 31 after failing to sell assets to raise funds to keep its network running, amid heavy debt and low revenues. The company, founded in 1999 by Dutch telecom operators KPN and the U.S. carrier Qwest, is reportedly in talks with AT&T to sell a substantial part of its business. The company's market valuation has plunged from over 42 billion euros to 13 million in just two years. KPNQwest's shares will be removed from the Dutch blue-chip AEX index as of June 6.

\* Qwest Communications, the fourth-largest local phone company in the United States, had its credit rating downgraded to "junk" status by Moody's on May 30, paving the way for a likely near-term bankruptcy filing, as it is in danger of violating credit agreements. Qwest's long-term debt is \$21.4 billion, with real assets of \$39 billion (\$30.2 billion in property, plants, and equipment), against \$38 billion in liabilities. The company is trying to sell its yellow-pages business for \$6 billion.

## **Symptom of Systemic Collapse: Silicon Valley Loses Symphony Orchestra**

San Jose, California—the "capital" of Silicon Valley—may have enjoyed its last Classical music concert June 4, leaving it with the dubitable distinction of becoming the nation's largest city without a symphony orchestra. The eleventh largest city in the U.S., San Jose has been unable to raise the funds to keep the orchestra alive. The only question is whether it will file a Chapter 7 bankruptcy, or Chapter 11, which would permit it to reorganize under court protection.

## **Frantic Efforts Underway To Stop Brazil's Financial 'Turbulence'**

Brazilian officials held a hurried conference call on June 7 with 800 investors to promise them they will "do something" to stop Brazil's financial "turbulence." Goldman, Sachs and Co., the Wall Street investment firm, sponsored the 90-minute conference call with Central Bank chief Arminio Fraga, Deputy Finance Minister Amaury Bier, and the head of monetary policy at the Central Bank, Luiz Fernando Figueiredo. One participant said afterwards, that "basically Fraga said, 'Look what we've done in the past, and you will see that we always did what was necessary to soothe tensions.'" Another said there was no new information on the call, "but just the fact that they did it at least tells the market they are aware of the problems." Investors reportedly pressed the Central Bank to take action, including, if necessary, spending some of its foreign currency reserves to stop the precipitous fall in the value of the real and government bonds.

The call was organized, as investors began to panic that Brazil could be heading towards default, unable to meet payments

on the \$500 billion in foreign obligations (by *EIR*'s calculation)—more than twice that of Argentina. An enormous amount of Brazil's government debt alone comes due between now and the end of 2002—*O Estado de Sao Paulo* reported June 3 the total amount at R\$110 billion, or US\$42-44 billion, depending on the exchange rate—which must be refinanced. Yet, Brazil's ability to pay its debt is being hit simultaneously from three sides:

\* Country risk—the amount over the interest rate of U.S. Treasury bills which "the market" demands to buy another country's comparable government bonds—went over 1,200 in the first week in June. That means, that Brazil's government would have to offer over 15% interest, in order to sell any paper. Those interest rates spill over into Brazilian private companies' bond sales as well. At those rates, neither the government nor private companies can afford to refinance their debt. The Argentine daily *Clarín* aptly commented June 5, that the rise in country risk is "recreating the mechanisms which ended up crushing Argentina."

\* The currency, the real, lost over 3.5% in the first week of June alone, closing at 2.6280. Every devaluation automatically increases Brazil's total debt load, as 45% of "domestic" government debt is indexed to the dollar.

\* Credit is being cut off. On June 3, J.P. Morgan issued a recommendation to its clients to reduce their exposure to Brazilian debt; that is, to sell it. On June 5, Moody's downgraded Brazil's foreign currency bond rating, and lowered its outlook from positive to stable. Moody's argued that Brazil will have difficulty refinancing its debts, and that it faces problems, no matter who wins the October 2002 Presidential elections, because of the great amount of debt, foreign and domestic, coming due in 2002 and 2003. Brazilian Treasury officials play down any danger, citing the R\$52 billion they have deposited at the Central Bank as a reserve—about 3-4 months worth of roll-overs. But their problems are accelerating as they go, as private investors refuse to buy paper which comes due after January 2003, thus building in a further bulge in debt payments due for the end of the year.

## **NAFTA Drives Mexico's Maquiladoras, Farms into Extinction**

For the past decade, Mexico has been touted worldwide as a model of free trade, largely based on the spectacular yearly rise in maquiladora employment and exports, beginning with implementation of the North American Free Trade Agreement (NAFTA). Maquiladoras are low-wage, low-technology manufacturing enclaves, mostly on the Tex-Mex border, where workers live in abominable conditions, producing low-price goods for export.

Mexican Economics Secretary Luis Ernesto Derbez admitted to the French magazine, *L'Express*, that those days are over. "If they don't change, the maquiladoras are, effectively, condemned to extinction, because they are no longer competitive.... We can no longer continue this way.... Mexican workers are incapable of rivaling those of China or India," who make (in the case of China) 40 cents an hour, while Mexican workers make \$3.50 an hour, he said. He dismissed either a devaluation of 30 or 40% or government subsidies as "artificial solutions" which the government rejects, but proposed nothing other than a vague shift to an economy based on "intermediate technology."

At the same time, farm leaders are warning that Mexican agriculture will all but disappear, when zero tariffs for most farm products go into effect under NAFTA on Jan. 1, 2003 (only corn, beans and powdered milk are exempted). Jesus Vizcarra Calderon, president of the National Agriculture and Cattle Council, charged on May 28, that the way things are going with the U.S. farm bill, Americans will fully control all Mexican agriculture by 2008. Sonoran farm leader Romulo Diaz Brown complained that Sonora's wheat producers and the corn growers of the state of Sinaloa have lost 40-50% of their profits in the last period, and they are in no position "to compete with the U.S. Treasury." Pork producers charge that Mexican pork has lost 50% of its value over the last eight months, due to record dumping of pork by U.S. producer-cartels into the Mexican market.

Calls for meat imports to be prohibited, until protective measures for Mexican producers can be evaluated and decided



upon, are coming from various quarters, including from a PRI Senator from Tlaxcala, Joaquin Cisneros, various pork-producer associations, and others. Arturo De la Garza, president of the Special Cattle-Raising Commission of the Chamber of Deputies, said on May 14 that he would be presenting a resolution calling upon the Executive branch to take protective measures under Article 131 of the Constitution, and to close the border to all meat and poultry products, until protective measures have been reviewed.

Mexican Economics Secretary Luis Ernesto Derbez reiterated on May 16, however, that the Fox government will not subsidize Mexico's farmers, since the solution is not for us to subsidize ourselves, but to get the others to eliminate their subsidies.

## UNITED STATES NEWS DIGEST

### Bush's 'Preemptive Strike' Speech Sets Off Alarm Bells

The danger of a "new empire" utopian war drive, about which Lyndon LaRouche has repeatedly warned, combined with the police-state measures being enacted by Attorney General John Ashcroft, and his FBI sidekick, Robert Mueller, are alarming some U.S. policy centers.

Senator Dianne Feinstein (D-Calif) was among the first to publicly oppose President George W. Bush's comments to West Point graduates on Sunday, June 2. In a guest appearance on the June 2 "Late Edition" CNN broadcast, Feinstein told reporter Wolf Blitzer that she was "disturbed" by Bush's call for "preemptive military strikes against nations which threaten the U.S.A." Feinstein, a member of the Senate Select Committee on Intelligence, told Blitzer, "I think this is a predicate for an attack on Iraq, and I'm very concerned about it. I think it would be a terrible mistake for the United States unilaterally to attack Iraq and to do so without any Congressional authorization."

Bush's call to "take the battle to the enemy, disrupt its plans and confront the worst threats," goes beyond the authority granted Bush after Sept. 11. "The authorization we gave the President with respect to 9/11 was precisely crafted to connect the use of force with those who either perpetrated or were connected to 9/11. Iraq was not. And, therefore, I think a preemptive attack without full debate in the Congress would be a terrible mistake." She added that the "whole Muslim Middle East" will turn against the U.S. if it attacks Iraq and "leaves unsettled the Israeli-Palestinian crisis.... We don't need this because we haven't won our own way yet in Afghanistan or in other places." Also reflecting the dialogue that was initiated by LaRouche's webcasts and other policy interventions in the U.S., veteran National Public Radio commentator Daniel Schorr rightly said that Bush's preemptive war marks the end of the nation-state, with its inviolable borders.

At West Point, the President's teleprompter adopted the Mussolini slogan of "action." Bush said, "Homeland defense and missile defense are part of stronger security, and they're essential priorities for America. Yet the war on terror will not be won on the defensive. We must take the battle to the enemy, disrupt his plans, and confront the worst threats before they emerge. In the world we have entered, the only path to safety is the path of action. and this nation will act."

Bush added that the old Cold War doctrines of containment and deterrence are irrelevant in today's world, and that now, the United States must strike first to defeat America's enemies. "If we wait for threats to fully materialize, we will have waited too long," Bush said. "We must take the battle to the enemy, disrupt his plans and confront the worst threats before they emerge." Even the *Washington Post* noted that the call for a preemptive military posture would dictate fundamental changes in U.S. military strategy, adding: "Historically, the U.S. military has not conducted preemptive or surprise attacks, such as Israel's attack on Iraq's Osirak nuclear reactor in 1981 or Japan's bombing of Pearl Harbor in 1941." The *Washington Post* reporter also wrote that the West Point cadets' parents were heartily applauding these bellicose statements, but that the cadets themselves were "pensive."

## **Rumsfeld Criticizes Utopian Doctrine on Iraq, But Not His DOD Utopian Warriors**

U.S. Defense Secretary Donald Rumsfeld put himself and his Department of Defense in a strange position, when he harshly criticized those who say that a U.S. military attack against Iraq would be a cakewalk. Rumsfeld gave an interview to *Washington Post* editors and reporters at the Pentagon, which was reported—without extensive quotes—in the June 4 edition in the form of several front-page news stories.

On Iraq, Rumsfeld harshly criticized those who say that a U.S. military overthrow of Saddam Hussein would be a cakewalk, and he also disputed claims that the Iraqi military would stage an insurrection to overthrow Saddam at the first sign of American military backing. "Listen, nothing is a cakewalk," Rumsfeld was quoted as saying. "Everything is unpredictable, and life is hard. Those folks have weapons that they'll use, and anyone who thinks it's a cakewalk isn't right."

But the "cakewalk" formulation comes from consultants, advisers, and subordinates who were appointed by Don Rumsfeld himself. The idea was first publicly delivered by Kenneth Adelman, a neo-con ally of Richard Perle, and has since been frequently repeated by Perle, the chairman of Rumsfeld's "Defense Policy Board." Adelman is also a member of the board. Another proponent of such utopian drivel is Deputy Secretary of Defense Doug Feith.

On the prospect of an insurrection against Saddam, Rumsfeld was quoted: "Will they rise up? I think that's not likely. People who rise up get killed." On Afghanistan, Rumsfeld said that al-Qaeda is still active in pockets inside the country, but many top al-Qaeda people escaped across the porous Pakistani border and are once again operating in other countries. He warned that he expected an upsurge in violence and instability in Afghanistan over the next days, as the loya jirga process is underway.

The strongest opposition to the utopian pipedreams about Iraq are known to come from the uniformed military services, which, columnist Mary McCrory asserted in the *Washington Post* of May 30, was the cause of Bush's "blow-up" in his joint press conference with French President Jacques Chirac. "Europe may not have broadened Bush's perspective or changed his mind [about Iraq]," wrote McCrory, "but the Pentagon surely did.... It wasn't the demonstrators on the streets of Europe who were eating away at Bush, it was probably a demonstration at, of all places, the Pentagon ... a demonstration of cold feet" about invading Iraq.

McCrory quoted retired Rear Adm. Gene Carroll, who said that, despite the drumbeat coming from the right, uniformed men like to prepare for situations where men will be fighting. "Amateurs talk about strategy, professionals talk about logistics," Carroll said, adding that it is evident that "we wouldn't have the allies, supplies and bases that were available to us in the Gulf War." Lawrence Korb of the New York Council on Foreign Relations says that statements by the Joint Chiefs of Staff (see [EIW #12](#)) "burst the bubble of inevitability" around Iraq, that "it was all not if but when." Korb predicted that the "war fever in Washington" will now decline.

## **Virginia's 'Bush Democrats' Give GOP Senator a Free Ride**

Republican Senator John Warner of Virginia got a free ride from the "Bush Democrats" in the state Democratic Party when it rammed through a the decision not to field a candidate against Warner in the U.S. Senate race this fall. The Democrats' principal argument was that no candidate could raise enough money to run a "credible campaign," according to the *Richmond Times-Dispatch* and to first-hand reports from party members. The *RTD*, generally a Republican newspaper, rubbed it in with the banner headline, "John Warner gets a free ride."

While the *RTD* reported that the Democratic Party Steering Committee unanimously voted for no-candidate, according to

a Central Committee source, this was only possible because of numerous absences. Party chair Larry Framme (also the chair at the time of former Attorney General leading Democrat Mary Sue Terry's witchhunt against Lyndon LaRouche) announced this decision, feigning "a heavy heart," at the Central Committee meeting June 1, and demanded an immediate voice vote to ratify.

The ratification occurred, but was immediately challenged by what one observer estimated was 40% of those present. The uproar resulted in a reopening of "debate" on the issue, during which the opponents demanded to know what a "viable candidate" was, and at least one Central Crook member objected to the fact that prospective candidate Gail Crook was permitted to address the Central Committee, while the other prospective candidate, Nancy Spannaus, was not. (See article in *EIW* on the Spannaus campaign in [INDEPTH](#).)

The *Richmond Times-Dispatch* concluded with the following paragraph: "Nancy Spannaus, a perennial candidate who is allied with political extremist Lyndon Larouche, is gathering signature to run as an independent against John Warner. She, too, was rebuffed as a potential candidate by the Democratic leadership."

### **Support for Death Penalty Dropping in U.S., Polls Show**

Outside of Texas, where the execution of Napoleon Beazley on May 28 defied an international outcry, and the Commonwealth of Virginia, a number of developments show a continuing shift in public attitudes towards the death penalty. The execution of Beazley, who was only 17 years old (a minor) at the time of the crime, was opposed by the European Union, the American Bar Association, and Amnesty International, among others, asking the U.S. Supreme Court to use Beazley's case to revisit the issue of whether the Constitution permits minors to be executed. Among the developments showing a turn against the death penalty:

\*A recent poll of New Jersey residents conducted by the Eagleton Institute of Politics at Rutgers University revealed that support for the death penalty has dropped considerably, and that the majority of residents support a moratorium on executions until issues of accuracy, fairness, and cost effectiveness can be examined. The following are among the poll's key findings: a) When given the option of life without the possibility of parole as a sentencing alternative, 48% support a life sentence, while 36% support capital punishment. This is a reversal from 1999, when 44% of New Jerseyites polled supported capital punishment and 37% favored life imprisonment. b) Six in 10 New Jerseyites support a moratorium on executions while the state's death-penalty statutes are reviewed. c) A quarter of those surveyed say that they are more likely to vote for a candidate who supports a moratorium, while only 7% of those surveyed would be less likely to support him or her. The New Jersey legislature is currently considering a bill that would create a one-year moratorium on executions while a commission investigates potential flaws in the state's death penalty system.

\*Oklahoma legislators have sent a bill banning execution of the mentally retarded to Gov. Frank Keating. The bill, which would make Oklahoma the 19th state to enact such a ban, passed with bipartisan support in the State House and Senate.

\*Two U.S. Senators have called for a moratorium on executions. In a recent *Baltimore Sun* opinion piece, U.S. Senators Russ Feingold (D-Wisc) and Jon Corzine (D-NJ) called for a national halt to executions while an independent review of the nation's death penalty is conducted. The Senators cited "glaring flaws in the administration of capital punishment. The nation should conduct a thorough, nationwide review of the death penalty." They charged that the system is "so riddled with errors that for every eight people executed in the modern death-penalty era, one person on Death Row has been found innocent." The Senators are co-sponsors of the National Death Penalty Moratorium Act.

### **Members of Congress Challenge Ashcroft's Police State**

The Justice Department's plan to give the FBI more domestic surveillance power "has gone too far," "effectively... going

back to the bad old days when the FBI was spying on people like Martin Luther King," said House Judiciary Committee chairman James Sensenbrenner (R-Wisc), a conservative normally aligned with the Bush Administration. Sensenbrenner made his remarks June 1 on CNN's "Novak, Hunt and Shields." Sensenbrenner has called Attorney General John Ashcroft and FBI Director Robert Mueller to appear before his committee "to justify why the 1976 regulations on domestic spying, that have worked so well for the last 25 or 26 years, have to be changed."

In fact, restoration of the police-state powers that the FBI was forced to curb after the abuses of the 1960s, has run into a phalanx of opposition. Representative John Conyers (D-Mich), top Democrat on the House Judiciary Committee, described the new guidelines as the Administration's "continued defiance of Constitutional safeguards." Dennis Kucinich (D-Ohio) referred to the civil rights abuses that occurred in the 1960s and '70s "under the name of law enforcement." Others who have attacked the new guidelines include:

- \*Shaker Elsayed, Muslim American Society
- \*Margaret Ratner, Center for Constitutional Rights
- \*James X. Dempsey, Center for Democracy and Technology
- \*ACLU national director Laura W. Murphy
- \*Althan Theoharis, history professor, Marquette University
- \*Jason Erb, Council on American-Islamic Relations

A *New York Times* editorial titled "An Erosion of Civil Liberties" called the policy changes at the FBI "draconian," while Ashcroft tries to make them appear "seductively innocuous." But in reality, the FBI has been given "unbridled power to poke into the affairs of anyone in the United States, even when there is no evidence of illegal activity."

On the other hand, Roger Pilon from the supposedly "less government" Cato Institute told the *Washington Post* that FBI agents should "be able to do what ordinary Americans can do." And the same May 31 *New York Times* runs a commentary by Nicholas D. Kristof, who says that it was the attack on the FBI for its abuse of civil rights and *agent provocateur* operations, which "created" the pre-Sept. 11 intelligence failures.

## **IBERO-AMERICAN NEWS DIGEST**

### **Chile's Economy Is Tanking; Social Unrest Wells Up**

Chile's economy is tanking, provoking social unrest and big problems for Socialist President Ricardo Lagos. A Washington-based Ibero-American military source who is very knowledgeable about Chile, reported that student demonstrators "almost killed Lagos" during May 23 demonstrations to protest new austerity measures—which include cutbacks in university budgets and plans to increase tuition, as well as to impose tax hikes on tobacco, alcohol, and fuel.

Wall Street continues to natter on about the great "health" and "stability" of the Chilean economy, ignoring an 8.3% unemployment rate which translates into 491,000 jobless. Even official sources admit that during the "miracle" years of Friedmanite economic policy, poverty increased substantially, and it has been growing steadily ever since.

President Lagos addressed the Congress with much fanfare on May 23 to announce new social and health-care programs, to convince people he is doing something about poverty. But the fact that these programs are to be financed by tax hikes, has caused anger inside the government and among the opposition. While Lagos spoke, thousands of students demonstrated nearby, trying to reach the Congress, and were violently repressed by police. Nonetheless, hooded demonstrators managed to attack and loot a local McDonald's, smashing windows, destroying cash registers, and tossing equipment onto the street.

In a recent visit to the port city of Iquique, close to the Peruvian border in the north, Lagos also came under attack from that city's Mayor, for failing to address the extremely arid region's desperate need for infrastructure. One plan mooted from the Chilean side over the past year, is to persuade Bolivia to provide the northern region with fresh water, in exchange for granting Bolivia some access to the Pacific (which it lost after the 1879-81 War of the Pacific). But the Iquique Mayor insists that what the region needs is physical integration with neighboring countries, and a coherent development plan.

Meanwhile, Chile's neighbors are alarmed at the fact that Chile is purchasing F-15 fighter jets; another source of alarm derives from Chile's recently signed "mutual defense" treaty with Great Britain, according to the Ibero-American military source cited above. Chile has always served as a frontman in the region for British interests, this source said, and given the conditions of instability in Ibero-America today, neighboring countries view its defense pact with London as extremely worrisome.

### **Venezuelan Government Implements Another Round of Austerity**

The Venezuelan government has implemented another austerity "*paquetazo*", its second in 2002. For the first time in his three years in office, President Hugo Chavez did not personally announce a major initiative of his government, but had four ministers (Economics, Planning, Production & Trade, and Education) call a press conference May 30 to do the job, reported in *Clarín* and throughout the Venezuelan media.

The measures include upping the VAT tax by 1% (from 14.5% to 15.5%); adding a quarter-point increase in tax on all banking activities (Venezuelans will now pay a 1% tax on the total value of any check they write or cash); eliminating subsidies on low-octane fuels; increasing electricity rates; and imposing a 10-15% cut in government spending. The ministers urged the National Assembly—which has to approve the package—to quickly take up pension privatization.

The ministers claimed that these measures, combined with plans to seek \$3.5 billion in international loans (with, they hope, IMF approval), can close the government's deficit of almost \$9 billion. Of that, \$6 billion is needed to meet amortization payments due on the debt.

But this imposition of greater austerity will only worsen the country's precipitous economic collapse. GNP in the first quarter of 2002 was 4.2% less than in the same period of 2001, and 6.5% less than in the fourth quarter of 2001. Oil revenues were 30% less in 2002 than the first quarter of 2001, but the drop in the oil price accounted for only part of the GNP fall. Manufacturing was down by 3.7%; sales volume fell by 3.5%; and construction fell by 9.2%, due principally to a 6.3% reduction in public projects.

With the currency, the bolivar, down 38% so far this year (it hit a new low of 1,151 to the dollar on May 30), international reserves at only \$9.4 billion, the lowest level since 1996, and a further collapse of economic activity ensured by this new austerity, Venezuela is heading into debt crisis and insolvency.

### **Tensions in Venezuela Mount—U.S. Wants OAS Intervention; Venezuelan Govt Invites Carter To Mediate**



U.S. State Department Policy Planning Chief Richard Haas travelled to Venezuela May 23, for an eyewitness reading of the Venezuelan political crisis. He met with President Hugo Chavez for two and one-half hours, as well as with the Vice President and with various opposition leaders, apparently concentrating his energies on getting all parties to agree to international mediation, whether by the United Nations, the Organization of American States, a group of countries, or a "prominent" world figure or two.

No specific agreement was reached, he reported in a press conference before leaving. Five days later, the U.S. Ambassador to the OAS, Roger Noriega, admitted in an address to the Permanent Council of the OAS, that the "deep political polarization" in Venezuela is, if anything, worse than it was during the April 11-13 coup and counter-coup (when President Chavez was ousted suddenly and then, just as suddenly, returned to power). The OAS is ready to jump in, he said.

No reality-oriented basis has been presented for resolving the crisis, however, and the situation is degenerating.

With 6-700 military officers, including 60% of the generals and admirals, facing trials or early "retirement" from the Armed Forces between now and the July 5 Independence Day ceremonies, the Institutional Military Front has announced it will organize a public vigil for June 1, and marches for June 8 and 20. Their war cry is that military promotions be based on merit, not political allegiance—the same cry of "meritocracy" which motivated the strike at the state oil company that led into the April 11-13 crisis.

Thus, uniformed military officers may soon be marching in the streets, while armed bands are built up within each camp. Chavez's "Bolivarian Popular Liberation Front" is circulating leaflets threatening to unleash "the mother of all retaliations" to bring "desolation and pestilence" down upon the heads of the middle and upper classes, while more calls for the creation of armed "citizens' militias against the Communist Dictatorship" circulate among the opposition.

Most recently, the Venezuelan government has invited former U.S. President Jimmy Carter to help facilitate talks with the opposition. Foreign Minister Jose Vicente Rangel wrote to Carter (who recently travelled to Cuba) inviting him to come to Caracas, but added that "we're not considering intervention; we're looking for a process to facilitate talks."

The invitation to Carter is the Chavez government's answer to U.S. attempts to have the OAS intervene in Venezuela as a mediator. Meantime, the situation on the ground in Venezuela remains extremely volatile, polarized, and potentially violent.

### **Mexican Farmers Demand Fox Remember the Word 'Protectionism'**

Mexican agriculture associations are up in arms over the recently signed U.S. farm bill, which, they charge, will "finish off" Mexican agriculture, unless the Mexican government takes action to defend them. Exemplary of the ferment was a half-page ad placed by Regional Union of Fruit Producers of Chihuahua, in the daily *Reforma* on May 31. These farmers charged that they "see with desperation" that the Mexican government of Vicente Fox is rigorously enforcing international treaties which the United States hasn't the slightest intention of respecting. "Disloyal competition" by U.S. producers, inundating the Mexican market, means Mexican farms will go bankrupt and disappear, they warn. We need electricity, fertilizers, financing, subsidies, and "the complete suspension of implementation of NAFTA," while the impact of the U.S. farm subsidies is evaluated, says the ad. President Fox needs to "add the term protectionism back into his daily political work," given that it has been "erased" by his government, but is being systematically applied by Mexico's competitors. We producers "want to continue to be an active part of the national economy," the ad says. "Permit us to contribute to the enrichment of our country.... Permit us to work with and for Mexico."

### **Argentina Finally Does What IMF Demands, Overturns 'Economic Subversion' Law**



Argentina's Senate finally did what the International Monetary Fund wanted, and overturned the country's "economic subversion" law—but just barely, and under wild circumstances, as reported in *La Nacion* and *Clarín*.

After seven and one-half hours of debate, voting on the Duhalde government's proposal to overturn the economic subversion law as demanded by the IMF was tied, 34 to 34. In an environment of enormous tension and down-to-the-wire deal-making, the government achieved victory only by incredible party maneuvers: One opposition Senator who wasn't expected to attend, showed up at the last minute, and threw everything into disarray. Then, through a deal with the Governor of Rio Negro, the Senator from that province, a Radical, suddenly left the room on the Governor's orders, depriving the opposition of a key vote. Once that had happened, the Senate's Provisional President (a Peronist) voted to break the tie. According to Senate rules, the Senate President has a "double vote"—one representing his party, and one as Senate President, and that is how the Peronists won.

Afterward, President Duhalde himself was overheard saying, "If the law hadn't been overturned, the truth is that I could not have stayed for one minute more in the government."

There was a great deal of anger among "rebel" Peronists who voted against the government, such as Jorge Busti of Entre Rios, who asserted that the economic subversion law "hadn't been an obstacle for 27 years to foreign investments," so what's all the blather about Argentina now having "juridical security" by overturning the law? Rioja Senator Jorge Yoma stated that "the overturning of the law was done so that foreign capital can now more easily leave the country."

Meanwhile, Eliza Carrio of Argentina's ARI Party called the overturning of the law "social genocide," an act representing a "self-amnesty to those who looted the country." By acceding to the IMF's demands, she charged, Argentina's political class "has committed suicide," and under conditions of "legal vacuum and a total absence of rules," the country will now enter into a "postwar period, without a war."

Deputy Carrio had headed up the Congressional commission which investigated a series of financial crimes in Argentina, including money-laundering and illegal capital flight, and her findings had been presented to the U.S. Senate's Permanent Subcommittee on Investigations in spring 2001, so she knows whereof she speaks. "The [overturning] of the economic subversion law was on the Fund's agenda, at the request of bankers who might be tried, and its overturning means the final impunity for capital flight and money laundering not associated with the drug trade," she charged. In statements to a program broadcast on CVN cable TV May 30, Carrio warned that now, with the Senate's action, "not only will several cases [prosecuting bankers] fall apart, but there will be other cases for the investigation of which, no law will exist."

Those who abetted the vote should be prosecuted as "traitors to the nation," according to a lawsuit brought before the courts in Buenos Aires, arguing that the May 30 Senate vote was illegal. This lawsuit and one other filed at the same time assert that, according to Article 57 of the Constitution, the Senate President—in this case Juan Carlos Maqueda—has only one vote, and only as a tie-breaker, rather than the two Maqueda in fact cast in the May 30 session.

Lawyer Juan Carlos Iglesias, who filed one of the suits, charges that "the large centers of world power" insisted "that we dedicate ourselves to abolishing laws for our national defense and protection, and prosecution of federal crimes—of which Argentina itself became a final victim." He is demanding that Maqueda and Radical Party Senator Amanda Isidori (who left the May 30 session as part of a deal to give the government the victory), be prosecuted as "traitors to the nation" and for "violation of the duties of public officials."

## **U.S. State Department Worried About Eliza Carrio**

According to the May 29 issue of *Clarín*, the U.S. State Department is very worried about Argentine political leader Eliza

Carrio, head of the ARI Party. Carrio made known that she had recently received an invitation from the State Department, which she turned down, to travel to Washington to meet with Bush Administration officials and U.S. businessmen. Carrio's popularity—she's getting 21% in Presidential preference polls—is an issue of concern in the Bush Administration, which wants to know more about her political ideas and platform, should she run for President. The U.S. embassy in Buenos Aires claims that the legislator's views are "contrary to U.S. interests," and State worries what would happen were she elected President. It has been reported, but is as yet unconfirmed, that Carrio recently again positively referenced Lyndon LaRouche's economic proposals during a radio interview.

Carrio rejected the U.S. invitation and commented that "the tours of Presidential candidates in the U.S. strike me as pathetic." She said she'd travelled to Washington many times, "but never so that I could be shown off as a candidate." A top aide to Secretary of State Colin Powell visited to Argentina a month ago to communicate that Washington didn't favor early elections (before December 2003), because, so the report went, the outcome would be too "unpredictable." But at a recent meeting between President Duhalde and Peronist governors, an agreement was reportedly made to move elections up to March 2003, which could heighten Washington's concern.

## **Brazil To Begin Commercial-Scale Production of Enriched Uranium**

According to *Folha de Sao Paulo* and *Estado de Sao Paulo*, Brazil will begin commercial-scale production of enriched uranium in July, only the seventh country worldwide which has this capability. The production method employed, using advanced centrifuge technology, was developed by Brazil's naval research center at Aramar, Sao Paulo, in conjunction with Sao Paulo University's Energy Research Institute (Ipen). The technology is a spin-off of the Navy's ongoing work in building a nuclear submarine with national technology. The state company, Nuclear Industries of Brazil, will run the enrichment plant, in Resende, Rio de Janeiro. Large-scale enrichment was the only part of the full nuclear fuel cycle which Brazil had not previously controlled domestically.

Initially, the plant will supply 10% of the 120 tons a year needed to fuel Brazil's domestic nuclear plants, Angra I and II, with the goal of becoming self-sufficient within five years. This represents a significant savings, as the cost of enrichment represents 35% of the total cost of producing its nuclear fuel. Given Brazil's rich uranium deposits, the longer-term aim is to produce enough to export to the international market.

The usual interests are raising a stink about the Navy role in the enrichment plant (implying that this constitutes the "militarization of nuclear energy"), and charging that Rio de Janeiro's water supply might be threatened. But as the President of the Ipen, Claudio Rodrigues, remarked, "People will be happy knowing that this technology is reaching the productive sector."

## **WESTERN EUROPEAN NEWS DIGEST**

### **Russia To Bill European Oil Transactions in Euros, Not Dollars**

The German business daily *Handelsblatt* reported on June 3 that, in oil export deals with Germany and Europe, Russia will no longer bill in dollars, but in euros. This commitment was signalled by the Russians immediately after the Moscow EU-Russia summit, and was certainly not unrelated to events at the summit. The new policy is especially designed for the 30 million tons that Russia is annually exporting to Germany (about one-third of Germany's entire crude oil imports) at present. Talks have begun that also involve German banks, to discuss trading that crude oil via the energy exchanges at Leipzig or Frankfurt, said *Handelsblatt*. Russia wants to reduce its dependency on the dollar value, and to gain a long-term, safe-planning perspective for its oil sector. A well-placed European market source confirmed the policy shift in a discussion with *EIR*, stating that it is his impression from looking through various reports, that the policy shift at the expense of the dollar role in the oil branch of Europe is on, although officially, the shift has not been confirmed yet.

## **Is a Showdown Brewing Over Maastricht Criteria?**

Foreshadowing a potential major clash at the upcoming European Union Summit in Seville, Spain on June 22, France's (interim) Finance Minister Francis Mer refused to assert his loyalty to the EU target of reaching a "balanced budget" by the year 2004. He said that his own government was trying to balance as much as possible, but not at the expense of an economic growth dynamic that was required to keep the French economy afloat. "What is important is to keep the policy course. It is not important to fulfill the criteria by the letter.... The aim is what counts, not the way toward it," Mer told journalists after the conclusion of a somewhat turbulent EU finance ministers' meeting in Luxembourg June 4.

His remarks were read as confirmation that President Chirac's earlier remarks (that the 2004 target date was not binding for the French) in fact reflected a broader debate among the French elites about modifications of the Maastricht criteria.

## **German States' Financial Emergency Finally Makes Front Page in FAZ Newspaper**

In an article that filled one and one-half pages of the June 1 edition of the *Frankfurter Allgemeine Zeitung*, the situation of the 16 German states was reviewed, with profiles of the disastrous state budget situations. Readers of *EIR* and *EIW* were informed of these emergency conditions more than a month ago.

*FAZ* reports that wrong conjunctural prognoses by the "experts," as well as drastically sinking real tax revenues and increasing debt service (most visible in the case of Berlin), have turned all budget projections into garbage. Reality is that, with the current fiscal year just half over, 10 of the 16 states have been forced to impose budget freezes.

Some of these (like Berlin and Saxe-Anhalt) are faced with a situation that might force them to declare open budgetary emergency, which would prevent the state governments from stopping crucial payments for social welfare and related budgets. The 10 states in question are Schleswig-Holstein, North Rhine-Westphalia, Rhineland-Palatinate, Hesse, Thuringia, Saxony, Saarland, Brandenburg, Lower Saxony, and Berlin.

Three other states are coming close to declaring a budget freeze: Bremen, Hamburg, Saxe-Anhalt. Only two of the German states are still viewed as sound enough to be able to avoid a freeze: Bavaria and Baden-Wuerttemberg. However, the fact that the special compensation fund of the states, which arranges transfers from the richer to the poorer states, has paid 15% less this fiscal year to the eastern state of Thuringia, suggests that payments from the "rich" states of Bavaria and Baden-Wuerttemberg into this fund have been reduced. This trend will accelerate—in the last few months, Bavaria has seen unprecedented rises in corporate defaults, unemployment, and drops in tax revenues.

## **German Grand Coalition May Be Needed To Govern in Economic Crisis**

With incoming data on an acutely worsening economic depression in Germany over the coming months, some in the German policy-making establishment have begun to think about a Grand Coalition Government. Economic realities seem to be forcing to the fore, the necessity of having a new government with a large majority in power, after the Sept. 22 national elections. Germany may even need a government that commands a two-thirds majority, in order to invoke emergency economic policy measures to keep the banking, industrial, and farming sectors running. A combination of Social Democrats and Christian Democrats would most likely hold such a majority, in the newly elected Parliament.

Michael Sommer, the newly elected national chairman of the German Labor Federation (DGB), was the first to moot such a Grand Coalition, in Berlin a week ago, at a private meeting with CDU-linked union delegates to the DGB national convention last week. What makes it even more interesting, is that Sommer is considered a "left-wing Social Democrat."

Brandenburg Governor Manfred Stolpe, a Social Democrat who heads a Grand Coalition in his state government, joined Sommer with similar remarks at the SPD election campaign convention in Berlin, on June 4.

Both Sommer's and Stolpe's trial balloons have been met with a chorus of official and semi-official denials, but the issue is likely to remain on the agenda, and become even more prominent, over the next days and weeks.

### **FDP Leader Refuses To Oust Critic of Sharon's Fascist Policies**

Neither increased pressure from among other leaders of the Free Democrats, nor the personal intervention of FDP national party chairman Guido Westerwelle, who met with the party section of North Rhine-Westphalia on June 3, could force Juergen Moellemann, chairman of the North Rhine-Westphalia party, to expel Yamal Karsli from the party's group in the State Parliament.

Karsli came under immense pressure from rightwing Israeli lobby forces internationally for opposing the Nazi-like attacks the Sharon government of Israel levelled against Palestinian areas. Moellemann said "no" to the demand for Karsli's expulsion, and Westerwelle had to accept it. Even the chorus of three former FDP national party chairmen—Hans Dietrich Genscher, Otto Count von Lambsdorff, and Klaus Kinkel—calling for Karsli's expulsion, did not help Westerwelle break Moelleman's resolve. Moellemann had the backing of the state party organization, which, after all, commands about 40% of the entire party membership.

### **Macedonia's Major Media Feature LaRouche as Leading Scholar**

In a major essay appearing in the June 1 edition of the leading daily publication in Macedonia, *Vecer*, U.S. Presidential pre-candidate Lyndon LaRouche was reported as one of "the famous scholars of global and Balkan policy." But the circulation of LaRouche's ideas in Macedonia goes far beyond this one significant article. The name of Lyndon LaRouche is mentioned almost daily in the printed or electronic media in Macedonia. Over the past week, for example, LaRouche was presented as the "wise teacher" in a televised interview on his professional life by TV anchorman Slobodan Tomic. LaRouche was also mentioned in a televised interview with a LaRouche collaborator; and LaRouche was again cited in a similar interview with the leading weekly *ZUM*.

The reference to LaRouche in the *Vecer* essay is especially significant because the piece constitutes a sort of declaration of war against the many NGOs (UN-recognized non-governmental organizations) and foreign-financed groups that threaten to trigger a "soft coup d'etat" in Macedonia.

The article, which mentions the names of an insidious power group entrenched around President Boris Trajkovski (a U.S. Methodist minister), is entitled "The reasons why the public should try the gang of ten." Some excerpts in English have been made available to *EIR*, and can be reported here: "Over the past ten years, ad hoc military and financial centers have been working to create in this region conditions of governmental instability, so that governments would be subject to pressures and eager to bargain with those financial centers. Because when sovereign governments are weak and the financial centers are powerful and mighty, then the authority and power does not come from the people, the law, and the elections, but from the support of this financial [speculative] centers. The financial centers that control political, military, but also criminal interests, frequently intertwined, are neither new, nor local phenomena. For years they have been recognized, defined and followed by a large number of journalists, accompanied by famous scholars of global and Balkan political and social movements...."

Here the article mentions Lyndon LaRouche. The article was published as Prime Minister Ljubco Georgievski continued to reject ultimata by the IMF and NATO. The IMF demanded that the minimum wage not be increased, that salaries not be paid to bankrupted firms' employees, and that families ruined by the collapse of a financial pyramid scandal not be

compensated. Georgievski said "no" to all demands. The IMF delegation left Skopje saying they will be back after the September elections to talk to the next government.

## Russia and Eastern Europe News Digest

### Moscow Conference Commemorates Pobisk Kuznetsov

Some 70 scientists and representatives of scientific, political, and military institutions in Russia attended a May 30-June 1 symposium on "New Technologies and the Global Challenges for Civilization," held in Moscow to mark the upcoming second anniversary of the death of Pobisk Kuznetsov, known as "the 20th-century Russian Leonardo da Vinci." Lyndon LaRouche, represented at the event by Dr. Jonathan Tennenbaum, sent a message titled "How To Save a Sinking Ship." A full report will appear in next week's *EIW*.

### Size of Russia's Oil Reserves Debated

*Itar-TASS* on May 28 reported a finding by the Russian Natural Resources Ministry, that Russia could exhaust its explored oil reserves by 2040, at current rates of exploitation and exploration. Critics of the current hype over Russia's potential to replace the Middle East as an oil supplier have pointed out that the technologies being used to boost output in Russia's mature fields will cause a subsequent steeper fall in output. Also noted is that Soviet-era prospecting on the Eurasian continent was extremely thorough, leaving it unlikely that there are major undiscovered oilfields. A Russian Ministry of Natural Resources official, however, told *RIA Novosti* on April 11 that the Russian continental shelf has untapped potential, comprising 20-25% of the world oil and gas reserves.

### Lukoil Scheme for Oil Export Port

Leonid Fedun, vice president of Russia's biggest oil company, LukOIL, talked May 22 about the company's "ambitious" export project, for which it is courting Transneft, the state-owned oil pipeline monopoly. LukOIL wants to build a 1,500-km pipeline to Murmansk on the Barents Sea, and a port there to handle high-tonnage tankers to carry crude oil to the United States. *Kommersant* reported Fedun's hope that this route, bypassing the ports of Amsterdam, Rotterdam, or Antwerp, would make Russian oil "competitive" in the United States. LukOIL has already obtained 54% ownership of Murmansk's existing port, through ruthless takeover maneuvers.

Transneft's vice president Sergey Grigoryev would not tell *Kommersant* if his company has accepted Lukoil's proposal, but admitted that "such options have been discussed in private." It would be a \$2.5-billion project, costing possibly more if the sea floor has to be dredged. *Vedomosti* suggests that the project is dubious, calling Fedun's press conference a PR action on the eve of the Bush-Putin summit.

### French Banker to Gazprom: Raise Domestic Prices

Jerome Guillet, formerly of the notoriously bankrupt Credit Lyonnais bank, penned an op-ed in the May 31 *Wall Street Journal* under the headline "Fix Gazprom's Fatal Leak," also published in Russian, in *Vedomosti* of June 3. The alleged "leak" is Russia's failure to let Gazprom approach so-called "world market prices," in what it charges domestic consumers of the natural gas it supplies. Elaborates Guillet, "Gazprom's core obligation is to reliably deliver gas (512 billion cubic meters in 2001) to export markets in Europe and domestic consumers. The export monopoly to Europe accounted for just a quarter of its production and generated \$14.5 billion last year; the rest is distributed in Russia at a tenth of what Europe pays, meaning that most of what Gazprom produces generates little economic benefit for the company." The domestic prices must rise, and soon, according to Guillet.



## Alarm Sounded About HIV Infection Rate in Russia

On UN Secretary General Kofi Annan's agenda during his early-June visit to Moscow, besides the Eurasian war crises, was the spread of HIV/AIDS. *Itar-TASS* reported that Annan met June 5 with officials from HIV prevention and treatment programs in Russia, who told him that the growth rate of HIV infection in the country is among the highest in the world. Over 2.5% of teenagers in Russia have been infected with HIV, they said.

According to a June 2 Interfax release, the Russian Health Ministry reported 88,120 new HIV cases among Russian citizens in 2001, out of a total of 194,033 registered HIV infections since 1987. Urban Weber, UN adviser on HIV, was quoted June 2 in the London *Observer* as saying that "Ninety percent of Russian HIV cases [have] caught the disease since 1999. This means that the first wave of people will start arriving in hospital in three years."

The occasion for the *Observer* article, titled "Russian AIDS plague to hit Europe," was the forthcoming release of a report from the Imperial College in London, which projects that 5% of the adult population of Russia will be HIV-positive by the 2007. The *Observer* quoted one doctor who took part in the study, saying that in Russia, "four million adults will develop AIDS," and "it could easily be a lot worse—at least double. And these people will die within 10 years." The highest rates of infection have been among intravenous drug users, but HIV is now spreading more widely through heterosexual contacts. The Imperial College study was commissioned by the UN AIDS program, UNAids, for presentation at a World Health Organization conference in Barcelona in July.

## Chief of Staff Says Russian Military Resources 'Critical'

At a conference in Moscow May 30, Chief of the General Staff Gen. Anatoli Kvashnin said that "the declining level of combat readiness may become irreversible" for the Russian Armed Forces, unless emergency measures are taken to address a situation he termed "worse than critical." Kvashnin called for raising officers' salaries to double the average wage in Russia, "otherwise in three to five years, we will have no officers corps at all. Those in service since Soviet times will leave, and there will be no one to replace them."

A May 30 article in *Moskovsky Komsomolets* reported that 15,000 officers under the age of 30 have resigned from the service within the past two and one-half years. One-third of all lieutenants have left the military. *MK* quoted another General Staff officer, Gen. Valeri Astanin, who said that only 12% of officer-school graduates remain in the service, leaving "no one to command platoons and companies in units." Like Kvashnin, he used this statistic to demand more pay, also suggesting that those who leave should have to pay the state for the training they got.

## Trans-Siberia Container Train on Demo Run

*RIA Novosti* reports that on June 5, a fast "demonstration train" departed Nakhodka Vostochnaya station in Russia's Primorsky (Maritime) Territory, bound for Buslavskaya station near the Finnish border, via the Trans-Siberian Railway. It is supposed to make the Pacific-Baltic trip in nine days, demonstrating to cargo-shippers that the TSR is viable for commercial transit across Eurasia, *RIA Novosti* reported. The event is being staged in connection with an international conference in Primorsky Territory, on East-West containerized freight shipping.

## MIDEAST NEWS DIGEST

### Mideast at 'Edge of the Abyss,' Says Egyptian Diplomat



Just days before the June 6 arrival of Egyptian President Hosni Mubarak in Washington, D.C. for meetings with President Bush, a top Egyptian envoy told a small group of journalists in Washington that the Middle East is being pushed to the "edge of the abyss." Nabil Osman, the Egyptian Deputy Minister of Information, described the situation as the worst he has ever been, as he underlined the reasons for President Mubarak's visit. Noting that there were "too many visions" on the table, he said that Mubarak would be working to achieve a "unified approach," with the impetus for that approach coming from the United States.

The reversal of the earlier progress towards a Mideast settlement is taking a heavy toll on moderates in the region, he said. He stressed that it is in the U.S. national interest to lay out an agenda, as the increase of extremist influence would be detrimental to U.S. interests in the region. Mubarak will call for an "assault on the core of the problem," he said. A timetable must be developed which would encompass all the issues, including a timetable for the establishment of a Palestinian state.

"We need a deadline," said Osman, stressing that what is required is "a timetable for a final, not an interim, solution." The U.S. must move from a position of "gathering visions" to that of "formulating one." Any conference must have a clear-cut agenda, he stressed. "If the conference is a fiasco, it would be catastrophic," he said. A conference, in addition to being comprehensive, must be of an international nature, not simply a "regional" affair as proposed by Israeli Prime Minister Sharon. It must involve the U.S., Russia, the Europeans, and the larger regional powers, including Lebanon and Syria. A prerequisite to the conference would be the withdrawal of Israeli troops from the West Bank areas they recently entered. Osman also underlined the fact that the new elements in the situation were the clear willingness by the Arab states to recognize Israel, coming out of Saudi Crown Prince Abdullah's proposal and the Beirut summit, and the Arab states' rejection of terrorism as a weapon.

The visit to Washington by Sharon on June 10, which had been announced a few hours earlier, came as something of a surprise for the official, although he greeted it as a positive development. On June 2, President Mubarak gave an interview to the *New York Times* from Cairo, in which he said that "I think to declare a state just theoretically like this and then to sit and negotiate what would be the borders, what about Jerusalem—I think it may work." His proposal would confer statehood on all Palestinian lands recognized by the United Nations, before, not after, negotiating exact boundaries, refugees, the division of Jerusalem, and the dismantling of Israeli settlements. Mubarak said he would urge President Bush to intervene. "To leave the problem of the Middle East to Arafat and Sharon alone, you will get nowhere," he said. "It should be a heavyweight country like the United States, that should try to interfere, try to listen to this and that and in the end, make the two parties make a conclusion."

### **Sharon Summoned to Washington, Says *Ha'aretz***

Both Israeli Prime Minister Ariel Sharon and Syrian Foreign Minister Farouk Shara will be going to Washington following the meetings between President George W. Bush and Egyptian President Hosni Mubarak June 7-8. On June 4, the Israeli paper *Ha'aretz* wrote that "Bush summons Sharon to Washington," although Sharon, typically, is claiming the visit was at his initiative. This is the seventh meeting with Bush since Sharon came to power in February 2001, although the last meeting was only 15 minutes long. The meeting comes after Sharon rebuffed the proposals by Bush envoys, Under Secretary of State William Burns and CIA Director George Tenet to the Middle East, to revive peace talks between Israel and the Palestinian Authority. Burns met with Ariel Sharon on May 31, and, according to the *Washington Post*, presented the Israeli Prime Minister with a three-part plan, that would see simultaneous security and political talks, as well as reform of the Palestinian Authority. The Burns proposal represented a departure from the doomed step-by-step approach that had characterized earlier efforts to get the Tenet and Mitchell "processes" moving in sequence.

Sharon, predictably, shot down the Bush-Burns new initiative, demanding that any peace talks be preceded by the elimination of Arafat, the "comprehensive reform of the PA" (Palestinian Authority) and the complete cessation of all terrorism. This puts the onus back on the Bush White House. According to Egyptian sources, President Mubarak will be

singularly focussed on the Israel-Palestine issue when he meets Bush in Washington. Syrian Foreign Minister Shara is expected to arrive this week as well, and is likely to hold meetings with Secretary of State Colin Powell and other officials. Shara will also attend sessions of the United Nations Security Council because Syria will take over Presidency of the Security Council in June.

### **New Israeli Spy Satellite Could Locate Attack Targets in Iraq, Iran**

Commenting to *EIR*, a senior Israeli intelligence source said this week that the recent launch of the Israeli spy satellite Ofek 5 enables Israel to start planning attacks on Iran and Iraq. This source said it was reported in the media that when the Israeli Cabinet was shown the first pictures the Ofek 5 had made of Tehran and Baghdad, the ministers cheered. The new satellite gives Israel an unprecedented capability to gather intelligence on Iran and Iraq, and the source claimed that Israel will now have the intelligence capability to locate targets to attack. Although it always had this capability for Syria, Lebanon, Jordan, and Egypt, not until now did Israel have the capability for Iran or Iraq.

### **Sharon the Winner in New Attacks by Palestinian Radicals**

On June 4, a car bomb claimed by the Hamas-linked Islamic Jihad killed 18 Israeli passengers on a bus at the Meggido junction in Israel, and wounded some 40 others, according to Israeli government reports. In its initial response, the Israeli security cabinet met and decided to target the West Bank city of Jenin, where an armored column, including tanks and armored personnel carriers, entered the city. More Israeli attacks are expected, and the Palestinian bombing immediately revived the radical proposals inside the Sharon government for complete occupation of the Palestinian-controlled Area A.

On June 5, the Israeli paper *Ha'aretz* reported that Sharon's Education Minister Limor Livnat, who is a strong supporter of Benjamin Netanyahu called for this occupation in a radio interview. Well-informed Israeli observers report that Sharon is sure to benefit from this attack politically, and will use it as leverage to avoid being pressured to make concessions to the Palestinians when he meets with President Bush this week in Washington. An article in the *Jerusalem Post* cites an Israeli Foreign Ministry official as saying that the U.S. does not agree with Sharon's so-called step-by-step approach, which is in effect stalling. According to the *Post*, the official said that "the convening of a regional or international conference in July would provide the U.S. with momentum in trying to build an Arab coalition for its campaign against Iraq at a later date."

Sharon's objective in meeting Bush is to ensure that Israel does not have to make any concessions. But this same official said that he did not expect the Bush Administration to pressure Sharon at this time. "Egypt, Saudi Arabia, and the European Union are prodding it to greater activism. But Bush's domestic agenda is pulling him into taking a more hands-off approach to the crisis until after the November elections, in order not to alienate Evangelical Christian voters, one of his strongest bases of support, and potential Jewish voters who would not view kindly Bush pressuring Sharon at this time."

### **Arafat Threatened After Palestinian Court Rules To Release Convicted Ze'evi Killer**

A June 2 decision by the Palestinian Authority High Court in Ramallah, has led to threats by top Israeli officials against PA President Yasser Arafat. After ruling that there was no evidence against him, the Palestinian court ordered the release of Ahmed Sa'adat, the Palestinian Front for the Liberation of Palestine (PFLP) leader who had been convicted of the murder of Israeli Tourism Minister Rehavam Ze'evi in an Israeli hotel last October.

Sa'adat was one of the prisoners held in Arafat's besieged Ramallah compound during the recent Israeli incursions, who had then been transferred to Jericho and held under U.S. and British guard as part of the deal for Israeli withdrawal from Ramallah, and the release of Arafat from virtual imprisonment in a small area of his former compound.

Israeli Prime Minister Sharon said that the release of Sa'adat "violates what was agreed upon," and said Israel would try to prevent his release, while trying to extradite him to Israel. Sharon spokesman Ra'anana Gissen said, "If he is not brought to justice, we will bring justice to him." Defense Minister Binyamin Ben-Eliezer said that if the deal were broken, "Israel will be free of its commitments and will act in accordance with our own best interests." Referring to the Israeli threats to Sa'adat's life, Arafat ordered his continued detention.

## **The FBI, The 1993 World Trade Center Bombing, and Israeli Intelligence Front**

Details provided in a June 2, 2002 story on CBS's "60 Minutes" program called "The Man Who Got Away," open new questions about FBI sting operations, Israeli intelligence inside the United States, and Israeli compromising of U.S. counter-terrorism efforts. On the CBS program, Neil Herman, the 1993 FBI head of the New York City Joint Terror Task Force during the first World Trade Center terror attack, was forced to explain his role in what the Iraqi government now calls a sting operation to implicate Iraq in the 1993 bombing.

Herman's investigation into the 1993 WTC attack was fraught with blunders and omissions, and there are claims it was a coverup of FBI and Israeli involvement in so-called Arab terror cells. Herman left the FBI to head the ADL's Fact Finding Division in 1999. Abdul Rahman Yasin, wanted as a co-conspirator in the 1993 bombing, was interviewed near Baghdad on May 23 by CBS News. He told CBS he was recruited to the cell of Ramzi Yousef (who was eventually convicted for the bombing), but the FBI let Yasin go after arresting him, even though he had chemical scars on his leg (from a spill when he was mixing the bomb ingredients), and even though his apartment had traces of explosives. Yasin was driven home by one of Neil Herman's FBI agents and was allowed to fly home to Iraq, where he grew up (although he is an American citizen). The ADL's Neil Herman told CBS it was a "collective decision" not to detain Yasin.

Iraqi Deputy Prime Minister Tariq Aziz told CBS that Iraq offered in 1994, and again in October 2001, after the 9-11 attacks, to turn Yasin over to the U.S. The offers were not accepted. Aziz stated: "Well, first of all, I have to tell you that we fear that—sending Yasin back to Iraq, after arresting him, and interrogate him—interrogating him, was a sting operation."

CBS's Stahl: "But, for what—purpose?" Aziz: "To tell people later on, look, this man who participated in that event is now in Iraq, etc., and use it as they are doing now using many false pretexts, you see, to hurt Iraq in their own way."

CBS reported that the Egyptian government brokered the October 2001 offer to turn Yasin over to the United States. Although CBS never identified Neil Herman as the head of the ADL's Fact Finding Division (previously run by the late operative Irwin Suall, and then by Mira Lansky Boland), he is well known, having been one of the top FBI counter-terror "experts" when he left the FBI for the ADL in 1999. As *EIW* INDEPTH reported previously, the ADL was so deeply involved in espionage operations against U.S. citizens on behalf of Israeli intelligence, that former U.S. Congressman Pete McCloskey, who represented victims of ADL spying in a class-action suit, says the ADL should be made to register as an "agent of foreign influence" under U.S. law.

## **Asia News Digest**

### **India and Pakistan Still at the Brink**

Despite last week's visit to Almaty, Kazakhstan, by the two hostile heads of state, Pakistani President Pervez Musharraf and Indian Prime Minister Atal Behari Vajpayee, and subsequent visit to the subcontinent by the U.S. Deputy Secretary of State Richard Armitage, the war-like situation continues to prevail along the Line of Control (LoC) that separates India and Pakistan in the disputed state of Jammu and Kashmir.

In Almaty, both Musharraf and Vajpayee met with Russian President Vladimir Putin and Chinese President Jiang Zemin. It is evident from reports that neither succeeded in bringing the two almost-warring heads of state any closer to reducing their troop buildups at the borders. In fact, President Putin's attempt to get both leaders to Moscow was aborted by the Indian Prime Minister. While Musharraf showed a willingness to talk, India closed the door to any further talks. Vajpayee's unwillingness to talk has been described by former Indian Prime Minister I.K. Gujral, as a "sign of weakness."

Armitage's trip is centered on one theme: To work out a formulation for the surveillance and monitoring of the LoC, to the satisfaction of both sides. President Musharraf's proposal that U.S. troops be stationed as monitors along the LoC was turned down at Almaty by the Vajpayee, who, in return, offered the concept of joint patrols by the Indians and Pakistanis to attain the same goal. However, the Indian Prime Minister's offer has been turned down by President Musharraf. It is evident that at this point Armitage is working out a plan whereby electronic surveillance and satellites could be used for verification against cross-border infiltration.

With the monsoon season about three weeks away from the Kashmir Valley, there is apprehension that India may launch a surgical type of operation to dismantle the 70-75 terrorist camps that exist in the Pakistan-held part of Jammu and Kashmir, and eliminate the 3,000 or so terrorists who are waiting to cross the LoC. Some observers point out that such an operation would take seven to 10 days to complete, and must start by June 20 or so.

It is almost a certainty that such a surgical operation will then expand, if Pakistan seizes such a strike as an opening to cross the international boundary. That may, then, start a full-fledged war. With almost a million troops and some 5,000 tanks along the borders, the war may turn out to be messy and extremely brutal.

Next week, U.S. Defense Secretary Donald Rumsfeld will be on the subcontinent. This is considered the last serious external effort to stop the war before the monsoon arrives. Besides the monitoring of the LoC, Rumsfeld is also expected to discuss with both sides a phased timetable, beginning with de-escalation of troop levels along the LoC and dismantling of the terrorist camps.

### **Anglo-Americans Plan Neo-Colonial Structure for Asia**

A review of the coverage of the "Asian Wehrkunde" meeting in Singapore reveals that the Anglo-American Utopians are building a colonial structure for Asia. The London-based International Institute for Strategic Studies (IISS)-sponsored meeting in Singapore May 31-June 2, promoted as an "Asian Wehrkunde," after the yearly defense conference in Munich, brought together Defense Ministers and military experts from across Asia, together with the U.S., the UK, Canada, and France. Paul Dibb, head of Australia's Strategic and Defense Studies Centre, in *The Australian* June 5, revealed the thinking behind the meeting: The only existing structure in Asia for defense issues is the ASEAN Regional Forum (ARF), which includes the same basic group of nations, but is represented by *foreign ministers*, not defense ministers, and is too dominated by the Asian-style respect for sovereignty and the principle of non-intervention in sovereign affairs.

Now, according to Dibb, with the war on terrorism, what is needed is a defense-oriented organization capable of "conflict resolution mechanisms" to act preemptively in pending crises, such as India/Pakistan, China/Taiwan, and the Koreas, not a "diplomatic talk group" like ARF. Japan's Minister of Defense recommended the creation of an "Asian-Pacific Defense Ministerial Meeting" as a step toward a making the structure permanent.

U.S. Undersecretary of Defense Paul Wolfowitz and Former Prime Minister of Singapore Lee Kuan Yew keynoted the event, with diatribes about terrorists running wild across Asia, in need of military action. Wolfowitz, a leading member of the "permanent warfare" faction in the Administration, speaking to the Hoover Institute June 5, described the request from England's foremost oligarchical think tank, the IISS, to cooperate in building such a conference, and making it permanent.

Asia, he said, does not have "the kinds of institutions that grew up during the Cold War in Europe, particularly NATO, and the structures related to NATO." The fact that the East Asian region is now peaceful, "will be challenged in the coming decades, because the great economic growth of East Asia, particularly the extraordinary economic growth of China, are going to pose challenges." Wolfowitz called his Singapore speech "The Gathering Storm," a phrase borrowed from Winston Churchill, which he considered appropriate because, he claimed, "this evil of terrorism that has grown up in the world in a particularly massive scale over the last 10 years, threatens some of the same kinds of evil and destruction that fascism and Nazism threatened nearly a century ago."

## **Indonesia Defense Minister Slams IMF's Nation-Wrecking Policies**

Kwik Kian Gie, Deputy Chairman of President Megawati's PDI-P party and Minister of National Development and Planning delivered a speech on June 1, in honor of the nation's adoption of the ecumenical "Pancasila" doctrine, in which he challenged the party to reclaim its sovereignty from the financial and political domination of the IMF.

Kwik, who is well known as perhaps the country's most resolute nationalist economist, warned that to continue tolerating IMF rules and policies, would lead Indonesia toward further economic bankruptcy and disorder, the *Jakarta Post* reported June 3. At the same time, he said Indonesia faced threats of national disintegration pointing to separatist movements in Maluku and Papua provinces, who are better armed than the Indonesian Armed Forces (TNI). He reported that in a recent cabinet meeting, it was revealed that TNI and the National Police were in disarray, with only about 30-50% of its equipment operational.

He challenged PDI-P to participate in a national movement to restore the country's greatness, asking: Are we capable of rebuilding the national integrity and regaining the sovereignty and the honor of our nation?

## **Top U.S. Korea Adviser Embraces 'Sunshine' Policy**

Former President George Bush's top Korea adviser Donald Gregg, in Seoul for the World Cup, gave a *Korea Times* interview June 4, in fulsome praise of President Kim Dae-jung's "Sunshine" policy toward the North. He even took a swipe at President George W. Bush's labelling Pyongyang as "evil." Gregg, a former Iran-Contra thug and intimate of "Clash of Civilizations" guru, U.S. Deputy Secretary of State Richard Armitage, used to working in the dark, not the sunshine, is positioning himself as the handler for whoever wins the South Korean Presidential race in December, while reminding the Bush, Jr. circuits that there is money to be made in Korea.

Gregg "lavished praise on President Kim and his Sunshine initiative," the *Times* reported. "It is a great success and the idea of the Sunshine Policy is profoundly correct," said Gregg. "It is a difficult time for him, but in the perspective of history, Kim will be remembered very positively for his opening up of dialogue with North Korea and for his management of the economic recovery." He also praised Roh Moo-hyun, the labor lawyer just named Presidential candidate of Kim's Millennium Democratic Party (MDP), saying that Americans should not worry about his "leftist" leanings.

Gregg, U.S. Ambassador to Korea in 1989-93, under Bush I, is now chairman of the New York Korea Society. Having visited Pyongyang in April, Gregg then said that Pyongyang is "very sensitive about high pressure and insulating language from the U.S." Noting that former U.S. President Richard Nixon shook hands with Mao Tse-tung, despite the fact that the Chinese leader had done "evil" things, Gregg said, "We should not be reluctant to reach out to Kim Jong-il because he has done something in the past." He even dismissed the possibility that a crisis could erupt next year on the Korean peninsula over nuclear inspection and missile tests, the hobbyhorse of the Republican right, saying these crises are not inevitable but both sides have to start talking very seriously to avert them.

## **AFRICA NEWS DIGEST**



## **Namibia Conference Vows To Fight Neo-Colonialism in Africa**

The ruling parties of seven southern African countries met in Windhoek, Namibia the last week in May, to collaborate on how to resist the West's continued attempts "to install puppet regimes and to impose surrogates that guarantee the exploitation of our resources," according to *The Herald* of Harare May 30. The sister liberation parties passed the "Windhoek Resolution," resolving to "fight together with all progressive forces against neo-colonial designs imposed on our region." The parties attending the meeting were the African National Congress of South Africa, the Botswana Democratic Party, the Chama Cha Mapinduzi of Tanzania, Frelimo of Mozambique, the MPLA of Angola, Swapo of Namibia, the United Democratic Front of Malawi and Zanu-PF of Zimbabwe.

Namibian President Sam Nujoma, who opened the meeting, urged the ruling parties in SADC (Southern African Development Community), to begin holding regular meetings, seminars, and workshops at different levels of authority to discuss pertinent issues now affecting the region. He saluted the parties for having successfully carried out the noble task of liberating their countries from the yoke of colonialism and apartheid with honor and dignity. President Nujoma insisted that the New Partnership for Africa's Development (NEPAD) must not be hijacked by external forces who want to use it as an instrument to divide Africa and prescribe to them how they should run their own affairs.

On the subject of Zimbabwe, the parties "acknowledged that the degree of international focus on Zimbabwe was a reflection of British and Western interests in Zimbabwe and in other countries in that region." The ruling parties resolved to unequivocally support "the irreversible land reform and resettlement program taking place in Zimbabwe in accordance with its Constitution and laws."

They condemned the continued shortwave broadcasts into Zimbabwe from Britain and the Netherlands, which they said are meant to misinform and cause ethnic divisions and social tension.

The countries also resolved to condemn all non-governmental organizations (NGOs) that act as extensions and fronts for foreign policies of some of the Western governments and countries through direct involvement in local politics. According to the *Herald*, they also "deplored the imposition of the Western-biased perspective of democracy and good governance, saying this interference had seen the West sponsoring, financing and sustaining opposition parties in the region."

## **Doctors' Group Welcomes Zimbabwe's AIDS Emergency Declaration**

The Geneva-based group *Medicins Sans Frontieres* (Doctors Without Borders) noted that Zimbabwe's declaration of an HIV-AIDS drugs emergency will slash the cost of anti-AIDS drugs in the country, where some 2,500 people die each week from the disease. "The procedure Zimbabwe has chosen allows swift action. This is the model other countries should follow," MSF said, adding, "We hope this will be just the first of many." On June 3, the Zimbabwe government declared a six-month emergency, during which all legal restrictions on access to generic drugs, essentially cheaper versions of patented drugs, would be lifted.

## **Largest Hydro-Power Project in Africa To Be Built by China**

China will build the Tekeze Hydro-Power Project on the Tekeze River in Ethiopia, a tributary of the Nile River, the director for international cooperation of the China National Water Resources and Hydropower Engineering Corp., announced May 31. According to the director, Sun Yue, it will be the largest hydro-power project in Africa, and, when completed, as important for Ethiopia as the mammoth Three Gorges Dam project is for China.



The main structure of the concrete dam will stand 185 meters, 10 meters higher than Three Gorges. Although abounding in water, the rate of use in Ethiopia is less than 5%.

The contract to build the dam will be signed in Addis Ababa on June 7. The \$224-million contract, will be the largest cooperative project between China and an African country.

## This Week in History

### June 10-16, 1933

With this week's edition of *EIW*, we wrap up what is commonly known as the First Hundred Days of President Franklin Delano Roosevelt's Administration, the intense emergency drive to turn our ship of state back toward the Constitutional principles of the general welfare on which it had been built.

As Presidential candidate Lyndon LaRouche underscored during the question period in his May 28 webcast (see [INDEPTH](#) Coverage for complete question-and-answer section), it was the driving force *behind* FDR's particular measures which made them work, in particular the drive of the President to reestablish the American Intellectual Tradition of Ben Franklin, Alexander Hamilton, and Abraham Lincoln, with its conception of a republican government on behalf of the common good. Add to that FDR's courage, his force of character, and some technical skills, and the import of the First Hundred Days of feverish activity becomes clear. It's not in the details, but the directionality to save the nation.

That said, it is still useful to get an overview of what the President did in his first three months in office. He sent 15 messages to Congress, guided 15 major laws through Congress, delivered 10 speeches, constantly consulted with advisers and heads of state, and took personal responsibility for thousands of decisions in domestic and foreign policy. The result of his leadership, both in style and substance, uplifted the nation to a sense of confidence that it could rebuild its future.

When the Congress adjourned on June 15, the following landmark pieces of legislation had been enacted:

- March 9 — The Emergency Banking Act
- March 20 — The Economy Act
- March 31 — Civilian Conservation Corps established
- April 19 — The gold standard (British) abandoned
- May 12 — The Federal Emergency Relief Act
- May 12 — The Agricultural Adjustment Act passed, with an amendment permitting monetary expansion
- May 12 — The Emergency Farm Mortgage Act
- May 18 — The Tennessee Valley Authority Act
- May 27 — The Truth-in-Securities Act
- June 5 — The gold clause in public and private contracts abandoned
- June 13 — The Home Owners' Loan Act
- June 16 — The National Industrial Recovery Act
- June 16 — The Glass-Steagall Banking Act
- June 16 — The Farm Credit Act
- June 16 — The Railroad Coordination Act

Most of these pieces of legislation have been analyzed in this column over the past three months. Not all of them lasted,

nor are they, in general, models per se. But it can be said that, without such a drive by a person with the character of FDR, the United States, which was devastated by mass unemployment and despair, would likely have gone the way of Germany, toward fascism.

Thus, it is with good reason that we look today toward a revival of the Roosevelt tradition in the U.S. Presidency, as the only hope for this country, and the world, to escape a worldwide fascism that will take all civilization down with it.

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