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This Week You Need To Know

LaRouche: Is Dollar Policy 'Stupidity,' or Trigger for 'Economic 9/11'?

In light of clear indications that the policies adopted by the Bush Administration to deal with the dollar collapse are only making things far worse, Lyndon H. LaRouche, Jr., candidate for the Democratic Party Presidential nomination, has raised the question: "Is this being done out of stupidity, or is it willful?"

Take, for example, the new Administration tax-cut plan, which was signed into law this past week, at the same time that the post-April 15 tax-revenue picture shows that U.S. government revenues from corporate and personal taxes are sharply down for the third year in a row (first seven months of FY2003). The U.S. Federal debt ceiling was lifted by nearly \$1 trillion last week, to stand at \$7.4 trillions. As for the falling dollar, Treasury Secretary John Snow said, "it's easier to export," when you have a weak dollar.

That this is worse than stupidity, is the judgment of some observers. For example, the May 23 London *Financial Times* headlined its editorial, "Tax Lunacy—The U.S. Administration Throws Prudence Out the Window." They wrote, "On the management of fiscal policy, the lunatics are in charge of the asylum." Why do they act this way? The *Financial Times* concludes, that to those "more extreme Republicans," a "fiscal crisis offers the tantalizing prospect of forcing" cuts in social spending "through the back door."

The same view is expressed in the *New York Times*, May 27, by economist Paul Krugman, suggesting that the neo-cons are actually hoping for a financial "train wreck." They can then use it as an excuse "to destroy America's social safety net built up over the past 70 years." He charges, "The people now running America aren't conservatives: They're radicals who want to do away with the social and economic system we have, and the fiscal crisis they are concocting may give them the excuse they need."

Some Historical Background

LaRouche adds some essential history to these evaluations: The Bush family, acting with allied Wall Street and City of London interests, had been, in previous generations, responsible for putting Hitler into power as a crisis move. This historical fact, which was the subject of "trading with the enemy" investigations during World War II, is of added relevance, given the recent *EIR*-led exposés of the role of disciples of universal fascist "philosophers" Leo Strauss, Carl Schmitt, and Alexandre Kojève, in the present Bush Administration drive for a new *Pax Americana*. Deputy Defense Secretary Paul Wolfowitz is the leading figure, among a nest of "Straussians," in and around the Bush Administration, who have their ideological roots in the very "Synarchist" circles who promoted the "Hitler Project" during the early 1930s, in response to the same kind of global financial and economic breakdown that we face today.

LaRouche notes that it is far more likely that Administration actions are proceeding not from stupidity, but intended to willfully drive the world to a state of panic—a kind of "economic 9/11"—in which the banks are shut, businesses are closed, there is no credit available, people have no money, and are dropping in the streets. Then finally, private powers step

into the void with a new super-scheme *à la* the Bank for International Settlements—just as Montagu Norman, Hjalmar Schacht, Averell Harriman, and the Morgan interests, et al. did in the early 1930s in Germany, and tried to do in the United States against President Franklin Delano Roosevelt.

Only under conditions of panic, LaRouche pointed out, would people willingly cave in to such a supranational scheme. That is the danger. The present post-Bretton Woods system is gone. It is past any "reform" or repair. A further 20%-50% fall of the dollar against the euro would mean the whole system is gone. This is what the lunatics want.

Why They Fear China

As a corollary to this evaluation, LaRouche observes that it is clear why the financial oligarchy crowd fears China, because China is the one country that has the capacity to resist such mad schemes. The Office of Vice President Dick Cheney is presently preparing a new assault on China, in line with Samuel P. Huntington's "Clash of Civilizations" scheme, targetting the Islamic world and China as the new "Straussian" enemy image.

LaRouche has called for an urgent assessment and public dialogue on this "financial 9/11" thesis. A campaign press release on this question appears on the website for LaRouche's 2004 campaign for the Democratic Party Presidential nomination (www.larouchein2004.com).

LATEST FROM LAROCHE

LaRouche Spokeswoman Sets Date for First Candidate Debate

On May 28, Debra Hanania Freeman, the national spokeswoman for Lyndon LaRouche's campaign for the 2004 Democratic Presidential nomination, announced that a date had been set for what she called "the first real, substantive discussion of the Democratic Presidential campaign."

"On July 2, in keeping with an invitation Lyndon LaRouche extended to his fellow Democratic Presidential pre-candidates, we will host a webcast emanating from Washington, D.C. on 'What is the relevance of FDR's policy for today's world?' Lyndon LaRouche will, of course, participate, and the invitation remains open to the other duly announced candidates for the Democratic Presidential nomination."

In a sharply worded statement, Freeman said highly placed Washington, D.C. sources had indicated that major money interests associated with organized-crime figures, including Democratic Leadership Council founder Mickey Steinhardt, had put out the word that LaRouche was to be kept out of all Democratic Party functions and activity related to the Presidential campaign, no matter what the consequences. The same sources indicated that representatives of the Democratic National Committee had made clear to the other Democratic hopefuls that any candidate who chose to recognize LaRouche's candidacy would be "iced out" of any Democratic Party-sponsored activity and financing.

"At this point, it would appear that the only stated purpose the DNC has in this campaign so far is to lock Lyndon LaRouche out, and deny Democratic voters access to the only candidate who is prepared to address issues of immediate concern to them." Freeman noted that LaRouche has demonstrated a greater depth of active support than any of the other candidates, and referred to "recent FEC filings which indicate that LaRouche leads all Democratic candidates in contributions from individuals."

Freeman said, "At this point, the nine other candidates seem willing to capitulate to this pressure from dirty-money

interests. If nothing else, that capitulation marks them as entirely not qualified to serve in the office of the Presidency." Freeman said that, although the source of the pressure would appear to emanate from the DLC, a group most closely associated with the candidacy of Joe Lieberman, in fact, the actual source of the pressure comes from the far right wing of the Republican Party. "The DLC simply represents that Republican right wing *inside* the Democratic Party. Their sole purpose is to wreck the Democratic Party and to guarantee George W. Bush's re-election."

The July 2 candidates' debate will be broadcast live over the Internet, available through the candidate's website at www.larouchein2004.com.

LaRouche to Mississippi Democrats: I Am Committed — To 'Our Sovereignty, Our General Welfare, and — The Security and Welfare of Our Posterity'

On May 31, Kesha Rogers, a member of the LaRouche Youth Movement from Houston, Texas, addressed the annual Jefferson-Jackson fundraiser of the Mississippi Democratic Party, in Jackson, Mississippi. Rogers spoke during the awards reception which preceded the banquet, and after opening remarks, she read a statement from candidate Lyndon LaRouche, who is running for the 2004 Democratic Party presidential nomination.

LaRouche's statement said:

At last officially filed report, in numbers of campaign contributors, I am the leading of 10 current candidates for the Democratic Party's 2004 U.S. Presidential nomination. I have invited each of the rival candidates to participate in a series of debates which I will host. The subject of the first of those debates, to occur in Washington, D.C., on July 2nd, will be on the subject: Is the lesson of President Franklin Roosevelt's leadership in recovery from the preceding Great Depression, relevant for the Democratic Party's role in addressing the global depression exploding today?

For myself, I am committed to reversing the Nixon decision of August 15, 1971, to return the U.S.A., and the world, to the successful Bretton Woods model. I am committed to emergency and long-term economic recovery measures of the type which Franklin Roosevelt used, to bring about a great recovery of our presently mismanaged, collapsing economy. I am committed to reject all measures of so-called globalization, and to bring into being a world consistent with our republic's tradition, a world composed of a community of perfectly sovereign nation-states, freed of the past and present geopolitical adventures which have led the planet toward the great world wars of the past century, and in progress again under the influence of the radical right-wing neo-conservatives over the currently incumbent President.

I am, above all else, absolutely committed to those three great, ruling principles of the Preamble of our Federal Constitution which are being undermined by our nation's current right wing inside and outside the Supreme Court: our sovereignty, our general welfare, and the security and welfare of our posterity.

Prague Weekly *Nase Pravda* Interviews LaRouche

The following interview with Lyndon LaRouche about his campaign for the U.S. Presidency, and his policies, appeared during the week of May 23 in the weekly newspaper *Nase Pravda*, published in Prague, Czech Republic. The interview's publication occurred during a visit by a delegation of the Schiller Institute, consisting of Angelika Beyreuther-Raimondi, Hartmut Cramer, and Dino De Paoli, who visited Prague to attend a public seminar on LaRouche's economics—especially his proposal for a "new Bretton Woods" and his Presidential campaign.

The interview:

Nase Pravda: U.S. Presidential pre-candidate Lyndon LaRouche stated in January 2001 when G.W. Bush assumed his functions in the White House that there was a danger that forces inside the U.S.A. would emerge, and threaten the world with wars, like that one condemned in the Nuremberg War Crimes Tribunal. Do you suppose that the war of the U.S.A., Britain, and other satellites against Iraq is also connected with a Nuremberg war crimes tribunal precedent?

LaRouche: Yes. The connection exists. The Nuremberg Trial judgments coincide with other instances of current international law.

Prominent international law professionals concur with my own judgment as to fact. These acts by the Bush Administration were war crimes. President George W. Bush, Jr., might escape condemnation on the basis of evidence he is unable to understand the relevant law, but others in his administration are clearly culpable.

Nase Pravda: The Bush Administration says that the war in Iraq has had a purpose of removing Saddam Hussein from power and destroying his weapons of mass destruction. What do you think about it?

LaRouche: The war-plan against Iraq, which was introduced, again by Vice President Richard Cheney during the interval Sept. 11-12, 2002, was the same proposal made, unsuccessfully, by the same Cheney, when he had been Secretary of Defense during 1991-92.

Nase Pravda: What is your evaluation of the Bush's doctrine of "preventive" war?

LaRouche: The doctrine of "preventive war" introduced under President George W. Bush, Jr., is a prohibited revival of the doctrine of Adolf Hitler, against Czechoslovakia, in 1938, and in the 1939 invasion of Poland. The crafters of this policy, represent a circle of Cheney associates, the so-called neo-cons, who have proceeded from the fascist policies of the former Nazi legal official Carl Schmitt, and a Schmitt associate, the late Chicago University Professor Leo Strauss.

Nase Pravda: What might be the next step that neo-conservative group around G.W. Bush would take in their "crusade" intentions?

LaRouche: The intention is worldwide war, as indicated in such locations as the "axis of evil" feature of President Bush's January 2002 State of the Union address.

Nase Pravda: Do you see any connection between the intentions of the neo-cons and Samuel Huntington thesis of "Clash of Civilizations"?

LaRouche: Samuel P. Huntington is an integral part of the same utopian "Revolution in Military Affairs (RMA)" circles as the so-called neo-cons.

Nase Pravda: U.S. public opinion is undoubtedly a very strong factor in pursuing domestic and foreign policy of U.S. administrations. Why can this "war cohort" still rely on the support of majority of American public ?

LaRouche: During the period preceding the launching of the recent U.S. invasion of Iraq, that war did not have majority support from the U.S. population. Rather, it was the cowardice rampant in the nominal political opposition, the right-wing leadership of the Democratic Party, which made themselves a virtual carpet, on which the President jogged to war.

Nase Pravda: How do you assess a possibility of a mutual impact of world public opinion on American one and vice

versa, particularly with regard to war protests all over the world?

LaRouche: So-called "world public opinion" may be a useful factor in encouraging relevant leaders to act; but, world popular opinion, by itself, never stops a war launched by a determined, capable assailant. So, Adolf Hitler came to dictatorial power during the January 30-February 28, 1933 interval; German public opinion, which was opposed to Hitler, was useless during that crucial period.

Nase Pravda: Do you see any new features in today's militarization of American life in comparison with the past period?

LaRouche: There are comparable, but unsuccessful challenges of a related type in the past. The war which U.S. President Polk launched against Mexico paved the way for the formation of the London-backed Confederacy, which President Abraham Lincoln's government defeated. The Confederacy was linked to the circles of Napoleon Bonaparte's organization, and would be properly classed as fascist. There was an intended coup against President-elect Franklin Roosevelt, which failed. There was the right-wing terror in the 1946-53 U.S.A., under President Truman, but President Eisenhower prevented it from taking over the U.S.A. The assassination of President Kennedy occurred during a dangerous mobilization of right-wing forces inside the U.S.A., but President Nixon's attempted coup was defeated. The pro-fascist takeover of the U.S.A., beginning Sept. 11, 2001, is the most serious threat to the U.S. Constitution in the entire 1787-2003 interval.

Nase Pravda: Why are Democrats as an opposition party in U.S.A. so reluctant or—let me say—so weak in challenging the policy of militant Republicans?

LaRouche: The problem is a right-wing takeover of the Democratic Party's party organization. The right-wing, organized-crime-linked group involved is known as the Democratic Leadership Council. These are my most immediate enemies inside the U.S.A.

Nase Pravda: It is no secret that there is a direct connection or even a certain synchronization of steps between American neo-cons and Israeli "hawks" around Ariel Sharon. What do you think about it?

LaRouche: Sharon is a fascist follower of former Mussolini protégé Vladimir Ze'ev Jabotinsky, and a member of the same fascist international as Cheney's pack of neo-cons, and shares the same international goals.

Nase Pravda: Professor Lyndon LaRouche talks frequently about accelerating world depression. What is the reason for it?

LaRouche: The presently onrushing economic collapse of the 1971-2003 "floating-exchange-rate" world monetary-financial system, is the combined effect of the U.S. shift, from the world's leading producer-society, prior to 1965, into today's decadent, predatory consumer society today. Since approximately spring 2000, the system itself has been in a terminal phase of decay and imminent disintegration. To account for the stupidity of the people of the U.S.A. and other nations, in tolerating this decadence for about four decades, one should reflect upon the famous poetic letter to the Athenians by aging Solon of Athens. Mankind progresses, in the long term, but often falls, drunken, into the ditch, along the highway to the future. Those of us who understand this, must intervene, to try to rescue our fellow human beings from their recurring follies.

U.S. Economic/Financial News

Financial Times: Bush Tax Cuts Are 'Lunacy'

"The lunatics are now in charge of the asylum," stated the London *Financial Times* May 23, in respect to U.S. fiscal policy. In a strongly worded editorial, headlined "Tax Lunacy—The U.S. Administration Throws Prudence out of the Window," the *FT* noted that the short-run economic stimulus from the Bush tax cuts "will be negligible," while the long-run costs "will weigh heavily on future generations." It seems that, "on the management of fiscal policy, the lunatics are now in charge of the asylum." The so-called "sunsetting" provision to cut the nominal 10-year cost of the tax measures is nothing but "an insult to the intelligence of the U.S. people."

However, there may be something else involved, because "more extreme Republicans" often say that "big deficits are in our interests. Proposing to slash Federal spending, particularly on social programs, is a tricky electoral proposition, but a fiscal crisis offers the tantalizing prospect of forcing such cuts through the back door. For them, undermining the multilateral international order is not enough, long-held views on income distribution also require radical revision. In response to this onslaught, there is not much the rational majority can do: Reason cuts no ice; economic theory is dismissed; and contrary evidence is ignored. But watching the world's economic superpower slowly destroy perhaps the world's most enviable fiscal position is something to behold."

GOP Radicals Drive for 'Fiscal Train Wreck'

"Extreme Republicans actually want a fiscal train wreck," states U.S. economist Paul Krugman in a May 27 *New York Times* op-ed headlined, "Stating the Obvious." "It's no secret that right-wing ideologues want to abolish programs Americans take for granted. But not long ago, to suggest that the Bush Administration's policies might actually be driven by those ideologues—that the Administration was deliberately setting the country up for a fiscal crisis in which popular social programs could be sharply cut—was to be accused of espousing conspiracy theories."

But, "stating the obvious has now, finally, become respectable" after London's *Financial Times* has made exactly this point. Krugman quotes the key points from the *FT* piece and then notes: "Yet by pushing another huge tax cut in the face of record deficits, the administration clearly demonstrates either that it is completely feckless, or that it actually wants a fiscal crisis. (Or maybe both.)"

As tax income is falling and the deficit is rising, it will become ever more difficult to finance social expenditures, Krugman says: "The government can borrow to make up the difference as long as investors remain in denial, unable to believe that the world's only superpower is turning into a banana republic. But at some point bond markets will balk—they won't lend money to a government, even that of the United States, if that government's debt is growing faster than its revenues and there is no plausible story about how the budget will eventually come under control." At that point, there will be calls for "deep cuts where the money is: that is, in Medicaid, Medicare and Social Security."

And, Krugman states he agrees with the *Financial Times* suggestion that "this is deliberate."

"How can this be happening?" he asks. "Most people," he says, "even most liberals, are complacent. They don't realize how dire the fiscal outlook really is, and they don't read what the ideologues write.... But the people now running America aren't conservatives: They're radicals who want to do away with the social and economic system we have, and the fiscal crisis they are concocting may give them the excuse they need. The *Financial Times*, it seems, now understands what's going on, but when will the public wake up?" he concludes.

Continued Dollar Decline Would Require Action

A further rapid drop in the dollar would require joint action by governments and central banks, warned IMF Managing Director Horst Koehler, according to *AFP* May 28. Although the dollar's 30% fall in value against the euro in the past year was "no surprise," because the U.S. has a huge current account deficit, "there comes a point when a further rapid decline in

the dollar would demand that a number of governments and central banks should come together," Koehler cautioned in an interview with the German business daily *Handelsblatt*. But, "I don't want to speculate about this point publicly," he added.

In addition, "there is still no determining factor for strong growth momentum in the global economy," he noted.

AEI Fellow Wants 'Controlled' Deflation of Dollar

American Enterprise Institute (AEI) fellow Desmond Lachman penned a piece in the *Washington Post* May 29, calling on the Group of Eight to take note of U.S. Treasury Secretary John Snow's "foolhardy" approach of "benign neglect" toward the dollar. Lachman proposed the G-8 should instead "temper the dollar's decline" with a "coordinated intervention" to "produce an orderly depreciation." He chides the European Central Bank (ECB) for not "aggressively" cutting interest rates, a policy position he argues has thrown Germany into a "deeper recession." This weakening of Germany, in turn, undermines its ability to reap any advantages from the weaker dollar.

The U.S. financial markets are also at risk, he writes, from a "further rapid fall in the dollar," since foreign investors' return will be reduced. In such a cases, these investors "would begin selling their large holdings of U.S. securities," and with that the "U.S. equity and exchange markets" would "plunge ... into a downward spiral."

White House Celebrates Tax Cut as Millions Face Unemployment, Layoffs

In a *New York Times* op-ed May 29, Bob Herbert assailed the White House's poor taste in celebrating the signing of the tax cut, as "indifference to the deepening plight of working people" who face either rising lay-offs or falling wages, while essential services and safety net programs are being cut.

Long-term unemployment (six months or more) is increasing—exactng the biggest toll on those who have historically felt economically sheltered, according to a joint study by the National Employment Law Project and the Economic Policy Institute. "The reality," asserted the study, "is that the long-term unemployed are better educated, older, and more likely to be professional workers." Of the 1.9 million long-term unemployed, in fact, one in five is a former executive, professional, or manager, according to the study, reports the *Wall Street Journal*. Most job losses since March 2001 are permanent, according to New York Fed economist Erica Groshen, who estimates 75% of the jobs lost will not come back. Some jobless workers, having seen their unemployment benefits expire, now have depleted their savings, acknowledges the *Journal*.

U.S. Entering an 'Economic SARS Zone'—As Greenspan Ducks

Fed Chairman Alan Greenspan is a "fiscal dinosaur," wrote Howard Karlitz in a *Washington Times* op-ed May 28, for failing to realize that "our country's financial health is beyond malaise," while "we are quickly entering the economic SARS zone." Headlined, "U.S. Economy in Dire Times; Shaky Pyramic Is on the Verge of Collapse," Karlitz excoriates the Chairman for "hiding his head in the sand," while "corporate downsizings and lay-offs have followed each round of Greenspan's interest rate cuts." Hit by job losses, homeowners have been forced into foreclosure on mortgages, Karlitz warns, characterizing the housing bubble as "an economic time bomb whose fuse is getting precariously short." Moreover, an increasing number of Americans face "growing frustration and fear"—like those workers who have been unemployed for a year or more, senior citizens who are using up their savings, and former dot-com hot-shots.

The foundation of the economic "pyramid," is not government-concocted statistics, he insists, but rather, jobs—a foundation with "ominous cracks."

World Economic News

Economic Tensions Top Agenda at G-8, Says City of London Insider

"Who blinks first?" is the big question in the economic policy tensions between Washington and continental Europe, and these tensions will be a key factor in the upcoming Group of Eight meeting in Evian, France, stated a City of London insider May 27, before the G-8 meeting began.

He told *EIR*: "The American government is *fostering* the decline of the dollar, and, by doing so, is seeking to export deflation to Europe, by a devaluation of the American currency. American policymakers think that driving the dollar down 'worked' in the 1970s and 1980s, so they think they can 'successfully' do it again."

"By doing so," the source added, "they think they can cripple the Eurozone economy, by making exports more difficult, and thereby undermine Europe. Perhaps this is a geopolitical strategy, also, to punish France, Germany, and others, for not supporting the Iraq war, but, of course, the Americans don't openly speak about this."

The London source emphasized: "So now, the question becomes, 'Who blinks first?' The Europeans can obviously counterattack, by running out of the dollar, destroying the currency and the American markets. But the Americans believe that the Eurozone countries can not stand the pain of a further weakening of the European economies, so that Europe will cave in. I am sure, that all of this defines a key dimension of the policy battles at the G-8 gathering."

The source was hesitant to comment on LaRouche's view, that the dollar collapse, first and foremost, is a *systemic* matter, indicating the next phase in global systemic collapse.

Foreign Investors Set To Pull Out of Wall Street as Dollar Dives

Foreign investors are considering a pullout from Wall Street stocks, the *New York Post* warned May 25, as the result of the 17% fall in the value of the U.S. dollar over the past six months. Offshore investors owned 15% of U.S. stocks at the end of 2002, for a total Wall Street investment of \$1.35 trillion. "The problem is that these investors are going to see their returns fall in local currency terms as the dollar declines," Bernie Schaeffer, of Schaeffer Investment Research told the *Post*. "Even if the stock prices go up in U.S. dollars, they could still be left with losses in euros. At what point will they say, 'Hey, that's enough pain,' and just pack up and leave?" An unnamed institutional London investor added, "There's so much uncertainty about the U.S. economy right now, and when you add that to what the dollar is doing, well, maybe it's time for me to bring some money home."

U.S./U.K. Home Prices To Drop 'Dramatically'

Soaring house prices in the United States, Britain, Spain, the Netherlands, Ireland, and Australia have generated a "property-price bubble," the *Economist*—echoing *EIR*—cautioned in an e-mailed release May 29, based on data going back to 1975. These "seriously overvalued" house prices will fall "dramatically," in the next few years, with consequences "far nastier than the stock market burst," warned Pam Woodall, economics editor at the *Economist*.

China's Yuan To Become Asian Regional Currency as Dollar Fades?

China's currency could become Asian regional currency as dollar's importance shrinks, moots the *Wall Street Journal* May 28. The yuan (or renminbi), increasingly used in commercial transactions in Hong Kong and along China's borders with

Southeast Asia, could play a regional role akin to that of the euro, the article argues, as the U.S. dollar becomes less important in an area dominated by trade links with China.

An article in the *New York Post* May 29 also reports that Asian central banks have called a meeting for next month to discuss whether or not to dump their dollar holdings. The dollar holdings of the Asians (presumably including China) constitute 90% of the world's dollar reserves, the *Post* item says.

Did Dollar Rebound Due to Japanese Intervention?

One day after hitting a record low of \$1.1932 per euro, the dollar rose May 28 to \$1.1765 per euro, even as the European currency hit an all-time high against the yen. Many traders believe it was a short-term rebound, and that the dollar will continue to fall, due to the U.S. budget and current-account deficits. There were reports of large Japanese account buying of dollars above the 118-yen mark (in order to keep the yen low to spark a mythical export-led recovery), driving the dollar up to 118.65 yen from 117.21 on May 27. The Bank of Japan has purchased an estimated \$20-30 billion of dollars since May 8, after buying an average of \$7 billion per month for the first four months of the year.

Globalization Faces Backlash, Says Robert Rubin

Globalization is facing "a much greater backlash than expected," asserted former U.S. Treasury Secretary Robert Rubin, in the *Wall Street Journal* May 29. The future of globalization is in doubt, reports the *Journal*, as world leaders face concerns about the fall in the value of the U.S. dollar, and its effects on the rest of the world's collapsing economies, which will be discussed at the G-8 economic summit in Evian, France. "There was a tendency in the '90s to feel that globalization would very likely continue," said Rubin, who served under President Clinton. "But there is obviously a much greater backlash than expected, and more uncertainty about it moving forward."

Finance Infrastructure, Ibero-America Tells G-8

Financing Ibero-American infrastructure should be a key agenda item at the Group of Eight meeting in Evian, France, the Presidents of Brazil and Mexico told the *Financial Times* May 28. Luiz Inacio Lula da Silva and Vicente Fox were interviewed, separately, by the *FT*, each emphasizing that they had been designated by last week's Rio Group meeting in Peru, "to speak for the region with one voice," as they prepare to attend the upcoming G-8 meeting.

As a key priority for that meeting's agenda, both stressed the absolute necessity of obtaining financing for Ibero-American development projects. "As to the mandate," Fox said, "the fundamental theme is the flow of financing for infrastructure...." Lula said that he will propose setting up two investment funds: one for financing Ibero-American integration; and the other to combat global hunger. "There are no roads, bridges, planes. How can you have integration with countries as impoverished as they are? Sometimes our countries are separated by a river 150 meters wide, and all that is required is a bridge to join them." As for the anti-famine fund, Lula suggests that a multilateral agency manage it, and that industrialized nations contribute to it, in proportion to their military spending.

Both Mexico and Brazil intend to push for permanent membership on the UN Security Council, as well as ongoing participation in G-8 meetings. As Fox told the *FT*, Mexico is "the world's ninth largest economy, and [participation in G-8 meetings] would be only natural and logical."

Venezuelan Business, Manufacturing Collapse

Nearly 2,000 Venezuelan businesses shut down during the first quarter of 2003, the result of a 29% contraction of the

economy. According to Lope Mendoza, president of the Venezuelan Confederation of Industry (Conindustria), the country's profound economic depression led to the closing of 1,950 businesses and a 35.1% decline in manufacturing production. Should the government continue to use its exchange-control policy as a political weapon, Mendoza warned, manufacturing could drop by 25% for the whole year. Between 1999 and 2002, five thousand businesses have closed their doors, 40% of which are in industry. Chamber of Commerce president Jorge Botti reports that business outside the industrial sector declined by 33.5% during the first quarter, with a 50% drop in sales.

United States News Digest

Joseph Nye: U.S. 'Ill-Suited for Empire'

Even though the "military victory in Iraq seems to have confirmed a new world order"—that of the U.S. as empire—not only does the U.S. have less control over what occurs inside other countries than Britain did in its heyday as a 19th-century imperial power, but American public opinion has never backed imperialism, wrote Joseph Nye in a *Washington Post* op ed last week. "Those who openly welcome the idea of an American empire, mistake the underlying nature of American public opinion," he writes.

The flaw of the metaphor of the United States as an empire, compared to the reality of the U.S. as having primacy, "is it implies a control from Washington that is unrealistic," he warns, "and reinforces the prevailing strong temptations toward unilateralism."

Moreover, the U.S. now suffers from "imperial under-stretch," he cautions, as the Bush Administration tends to avoid nation-building, and instead "has designed a military that is better suited to kick down the door, beat up a dictator and then go home, rather than stay for the harder work of building a democratic polity."

If the U.S. were to base its occupation of Iraq on a Bosnia-Kosovo scenario, the "neo-conservative strand" of the Bush Administration, he notes ironically, would be forced to compromise with the multilateral realists—and "might find that the world's only superpower is not suited for empire after all."

Nye is Dean of the John F. Kennedy School of Government at Harvard University, and served as Assistant Secretary of Defense for International Security Affairs and Chairman of the National Intelligence Council under President Clinton until December 1995.

France Says U.S. Decided on Iraq War in January

"U.S. Decided on Iraq War in January, Says France," is the page-one headline story last week in the *Financial Times*. The story, which, the authors (Robert Graham in Paris and James Harding in Washington) write, was confirmed by both French Foreign Minister de Villepin and "Bush Administration officials," reports that the decision to go to war to overthrow Saddam was made in the second week in December. The "critical 'internal moment' in the White House came in the second week of December, when the President was briefed on Iraq's weapons declaration. 'It was not even a credible document,' the White House official said."

The authors quote a source close to the NSC who said the anger in the White House to the Iraqi response meant that, from that time, "there was no prospect of a diplomatic solution." The French reached that conclusion following a meeting on Jan. 13, between Chirac's diplomatic adviser, Maurice Gourdault-Montagne, and Administration officials, and it was reaffirmed on Jan. 19, when de Villepin met with Secretary of State Colin Powell in a private meeting in New York. The authors write that the meeting with Powell convinced the French Foreign Minister that the "pressure of the Administration

[on Powell] was too strong. Diplomacy was no longer relevant."

The story was the lead-in to a three-part *FT* investigation, the first part appearing as a full-page article titled, "War in Iraq: How the Die Was Cast Before Transatlantic Diplomacy Failed."

Rumsfeld Hopes To 'Displace' Iran's Government, Cites 1979 Revolution

Defense Secretary Donald Rumsfeld told the Council on Foreign Relations May 26 that it is now U.S. policy to avoid dealing with Iran's government, either the clerics or what he called the "so-called moderate" President.

"The women and young people are churning in that country and putting pressure on the handful of clerics that dominate and control that regime.... We ... hope that the people of that country will have an opportunity to find ways to displace the leadership of that country."

Alluding to the speed of the 1979 Islamic revolution, Rumsfeld said, "I'm still amazed at how fast it went from the Shah of Iran to the clerics, to the Ayatollah Khomeini. Maybe we'll be favorably surprised some day" by a more democratic government.

Still No Nominee To Replace Shinseki as Army Chief of Staff

Eight days and counting, and Donald Rumsfeld still does not have a nominee for Army Chief of Staff. A bipartisan group of Senators, led by Senate Armed Services Committee Chairman John Warner (R-Va.) and senior Democrat Jack Reed (R-I.), has sent a letter to the Secretary of Defense Rumsfeld expressing concern over his failure to nominate a replacement for Army Chief of Staff Gen. Eric Shinseki, who is retiring on June 11. Shinseki's deputy, Gen. John Keane, who at one time was thought to be Shinseki's heir apparent, retires later this year. General Tommy Franks will also be retiring later this year.

According to the *Washington Post*, the lack of nominees "heightens concerns within the Army about Rumsfeld, given the level of animosity that exists between Rumsfeld and Shinseki, a 38-year veteran who lost much of one foot, and was awarded two Purple Hearts in Vietnam." The *Post* notes that Shinseki's estimate of the number of troops that would be required to stabilize Iraq "appears to have been accurate."

As for other candidates to replace Shinseki, the *Post* moots Lt. Gen. John Abizaid, who was Franks' deputy in the Iraq war, but because he is an Arab-American who speaks Arabic, is more likely to replace Franks as Central Command chief. Other names that have been bruited are Lt. Gen. Doug Brown, vice commander of Special Operations Command, and retired Gen. Peter Schomaker, a former chief of Special Operations Command. In any case, the Army is now likely to be without a chief for some period of time; once President Bush sends to Capitol Hill a replacement, that person will still have to be confirmed by the Senate.

U.S. Crude Death Rates from Infectious Diseases Rose in '80s

According to the National Institute of Medicine, U.S. crude deaths from infectious diseases (ID) rose between 1980 and 1989, from 40 to 60 deaths per 100,000 persons per year—and that's excluding HIV/AIDS. Thus, the 80-year downward trend in mortality from ID has reversed. So says the lead-off graph in the 400-page report issued in March by the Institute of Medicine, entitled *Microbial Threats to Health—Emergency, Detection, and Response*.

In 1900, the United States death rate from infectious diseases was around 790 per 100,000, and one-third of that came from

tuberculosis, pneumonia, and diarrheal sickness. With sanitation, mid-century antibiotics, anti-vector campaigns against mosquitoes, vermin, etc., the death rate from ID went steadily down, to the point of about 37 per 100,000, then started to climb back up again. The causes are what one would expect—new and resurgent old diseases, deteriorating medical care, more poverty, lack of sanitation and infrastructure, etc.

New York Times: Rift Between Bush and Governors Over Medicaid Caps

According to a frontpage lead story in the May 25 Sunday *New York Times*, a bipartisan group of governors—including Jeb Bush—is battling against President George W. Bush's attempt to impose an absolute cap on Federal funding of state Medicaid programs for the next decade. At stake in the battle is the health care of 50 million Americans, who are on Medicaid today. The *Times* revealed that there have been two months of secret negotiations between the Bush Administration and a team of Democratic and Republican governors, working through the National Governors Association (NGA).

Among the leading opponents of a decade-long cap on federal payments to Medicaid are Florida Republican Jeb Bush, New Mexico Governor and former Clinton Cabinet secretary Bill Richardson, and John Rowland, Connecticut's Republican Governor. The governors have emphasized that a non-negotiable cap on the Federal share of Medicaid costs would leave a state without assistance, in the event of a major disease outbreak; a terrorist attack like Sept. 11, which cost New York State billions of dollars in health care costs; or a large-scale natural disaster. The talks were aimed at reaching a final accord that would be accepted by the NGA by May 15, but there is no sign of a resolution, the *Times* reported.

Free Gifts Can't Induce People To Rent Office Space in Greater Washington

The landlord-owners of vacant office buildings in metropolitan Washington, D.C.—which includes the adjacent counties in Maryland and the Northern Virginia counties across the Potomac—are now offering luxury cars, weekend getaways, vacations in Bermuda, catered meals of raspberry chicken, and higher broker commissions to real estate brokers, merely to come and look at their vacant office buildings, according to the May 26 *Washington Post*. The landlord-owners hope that the brokers will then sell or lease the buildings to new tenants.

Behind these desperation giveaways, is the fact that the landlord-owners cannot get companies to rent them. This has been growing for three years now, beginning when the New Economy bubble burst, just as Lyndon LaRouche had forecast. John Germano, executive vice president of Insignia/ESG real estate company, based in Tysons Corner, Virginia stated, "It's gotten a lot worse than anyone thought when the market burst.... The reality is there's no demand for the available space."

There are two types of unoccupied commercial real estate properties: a) vacant, in which a property has been neither leased nor bought; and b) sublease, in which tenant has contracted to occupy a property, but either wants to leave, or already has left the premises, and is unable to sublet the property.

Recall, that at the end of 2000, at the height of the New Economy boom, the commercial real estate vacancy rate in Northern Virginia was but 2.8%.

Yet Another Energy Emergency Declared in California

Even before the really hot temperatures hit, California is already reeling from another energy emergency. California's Central Valley was hit last week by 100-degree temperatures, some five to seven degrees hotter than usual. The increased use-demand of air conditioners and other devices caused electricity reserves to dip below the 7% level, necessitating state electricity grid operators to declare a Stage One emergency. "This emergency reinforces the need to put a long-term plan in

place that creates stability," said State Sen. Debra Bowen (D), who is chair of the Senate's energy committee and author of a bill to end deregulation.

As everyone remembers, in 2000-01, the California energy crisis practically brought the state to its knees.

Ibero-American News Digest

New Argentine President Defends FDR Model

Argentina's new President Nestor Kirchner delivered an optimistic speech at his inaugural ceremonies May 25, promising to make the state an active agent again in securing national development, and in restoring to the citizenry those basic rights—jobs, health care, education, and dignity—which had been so brutally stripped from them, under the past decade of neo-liberal policy.

With 12 foreign heads of state in attendance, Kirchner asserted that the success of policies will now be judged by different criteria: Whether they "approximate the goal of concretizing the common good." While promising to maintain a policy of "fiscal responsibility," he also promised that domestic consumption "will be at the center of our strategy of expansion." The state must exercise its regulatory capacity, and help to build "national capitalism." There is nothing extremist about this, he said: Look at how developed countries "protect their producers, their industries, and their workers."

The centerpiece of the government's new platform will be an aggressive public-works program, the President said. The state must, "with urgency, become an active economic subject," to ensure completion of "unfinished projects, generation of genuine employment, and big investment in new projects." Neo-liberalism called these "unproductive investments," he said. But "we aren't inventing anything new. In the decade of the 1930s, the United States overcame the deepest economic-financial crisis in a century by such means," under Franklin Delano Roosevelt's government. Kirchner underscored that projects for building highways and railroads, housing, "new and modern hospitals, education and security infrastructure, will profile a country productive in agro-industry, tourism, energy, mining, new technologies, transportation, and will generate real employment."

Whether Kirchner can or will follow through, remains to be seen. Bankers are waiting to see, as the chief economist for Ibero-America of ABN Amro bank, Fernando Losada, put it, in a May 26 *La Nacion* article, whether the change in course signalled by Kirchner in his inaugural speech, will be "purely rhetorical, or a reality." The City of London's *Economist* magazine reminded the new President, in its May 26 edition, that no country "can afford to behave like a pariah state," and it is up to Argentina to make the first move towards "easing tensions" with the International Monetary Fund. Kirchner will have to understand that he won't attract foreign investors and new financing, unless Argentina gets the "IMF seal of approval." And, it adds, the Fund has made very clear that there are still "outstanding issues to be resolved" before any new program can be put in place.

Brazilian Infrastructure Diplomacy Extends to Ecuador

The Presidents of Ecuador and Brazil have agreed to cooperate on South America's physical integration, and in many other areas pertaining to economic and social development. Following their meeting in Brasilia on May 27, Ecuador's Lucio Gutierrez and Brazil's Lula da Silva signed a joint declaration which reflects Brazil's ongoing offensive to forge continental integration (see article in [INDEPTH, EIW 20](#).) The declaration underscores the importance of achieving the physical integration of both nations, in the context of the South American Regional Integration Initiative (IIRSA). Special emphasis was placed on the Amazon Multimodal Axis, "to accelerate the integration of the Amazonian and Andean regions and facilitate a bioceanic interconnection." The two Presidents agreed to hold a ministerial level meeting, including IIRSA

experts, as soon as possible to discuss specific projects related to the Multimodal Axis.

Other aspects of the declaration included a commitment to seek financial cooperation for infrastructure and development projects considered priorities by the Ecuadorean government, such as water treatment facilities for rural communities. Ecuador also wants to keep current, although non-operational, the credit line offered by Brazil's National Economic and Social Development Bank (BNDES) through the end of this year. Great emphasis was placed the fact that South America's physical integration would be crucial in determining a "model of development" able to provide social justice for all citizens.

Brazil's Budget-Slashing Pleases Bankers

Despite its active diplomacy, emphasizing development and infrastructure projects, the Lula government's continued attempt to satisfy international creditors, has led it to slash its own budget, including for key infrastructure projects. Wall Street's *Bloomberg* wire service enthusiastically reported on May 28 that the budget cuts have increased "investor confidence" in the country. Cutting budgets at most ministries, which delayed projects such as the Sao Paulo-Rio de Janeiro railroad, and road, hospital, and subway improvements, reportedly increased the primary budget surplus—calculated as revenues minus all expenditures except debt service—to a record \$4 billion for April, and led to an inflow of \$2 billion in short-term foreign investments this year. Financial sharks and the IMF are happy about this because they say it means Brazil will be able to keep paying its foreign debt on time for a few days more. As one economist at UBS Warburg chirped, Lula "is positively surprising everyone with his prudence in spending."

BBC News also happily reported on the newly sealed alliance between Lula's Workers Party (PT) and the Brazilian Democratic Movement Party (PMDB), which alliance they expect to put through IMF-dictated cuts in state pensions and "simplify the tax system," seen "as crucial to prevent Brazil from going bankrupt."

However, even *Bloomberg* had to admit that the combination of budget slashing and high interest rates, which still remain at an astronomical 26.5%, is taking a huge toll on economic growth. First-quarter GDP is the slowest since June of 2002, and analysts are estimating that the second quarter will be worse.

Under pressure at the same time from domestic interests which its economic policy has betrayed, the government announced just in the past few days, that it would unfreeze some previously frozen funds to finish specific road, port, and defense projects.

Toledo Government Orders Military Out Against Protesters

Peruvian President Alejandro Toledo declared a 30-day "national state of emergency" on May 27, and called out the troops to repress hundreds of thousands of teachers, doctors and nurses, state workers, farmers, and others who are striking nationwide to demand higher wages and lower taxes. Toledo insists these demands cannot be granted without violating his pact with the IMF. His government claims that the strikes and protests will drive the nation "to the devil." International financial mouthpieces like the Inter-American Development Bank's Enrique Iglesia have warned that the country must not abandon its "fiscal discipline."

Attempts by students in the city of Puno to reenter their university May 29, after it was occupied by troops, were met by gunfire and tear gas, leading to 40 injuries, and one student killed. Hundreds of arrests and injuries have occurred in a score of cities across the country, following clashes with troops and/or police, as strikers are refusing to crawl away, and instead are gathering in town plazas, marching in the streets, gathering in front of the Congress, taking over public buildings, blocking highways, and more. Said one teacher, "If the government doesn't change its policy of kneeling before the IMF, if it does not look the Peruvian people in the face, it's going to have to go." The CGTP, the largest trade-union federation in

the country, is considering calling a general strike in July, if not sooner.

The state of emergency and military repression has been backed by the country's creditors. Exemplary is a spokesman for Pacific Investment Management of California, which handles Peruvian debt, who intoned, "Our view is that this action [state of emergency] is consistent with preserving the strengthening of the macroeconomic situation, which is reflected in high economic growth and a responsible fiscal policy. Having said that, it's important that the government restore confidence across the spectrum of the population."

Toledo's claim of strong growth has yet to be reflected in people's paychecks, reports one journalist, and Toledo's popularity rating has fallen to a record low of 14%. Toledo had campaigned for the Presidency with promises to double salaries.

Brazilian Rightwing Nut Freaks at LaRouche Exposés of Chickenhawks

The growing hegemony, within the Brazilian elite, of Lyndon LaRouche's evaluation of the neo-con coup d'état against the U.S. Presidency, appears to have driven one of Brazil's most rabid neo-cons, Olavo de Carvalho, a hired pen of the World Wildlife Fund, over the edge. His May 24 column in *O Globo*, entitled, "World Coup D'État," reveals how much damage LaRouche's Ibero-American Solidarity Movement (MSIA) in Brazil has done through the wide circulation of its pamphlet, exposing the Straussians' *Imperium Insanum*.

"That there is a neo-globalization in action, a new empire whose expansion puts national sovereignty at risk, no one in Brazil doubts. All of our political, intellectual, and military leaders are said to be aware and alert as to this point," Olavo writes. The problem is, he says, that they've got it all wrong as to what the real danger of empire is. Brazilians are preparing to fight the Marines in the Amazon, but "the world government which is taking shape in front of our eyes, is not American: It is an alliance of the old European powers, with the Islamic Revolution and the world leftist movement. The centers of command are the international organizations, and the only resistance force which opposes the most ambitious imperialist formula ever seen in the world, is American nationalism." England was resisting, but capitulated. The only country where this "world governance" plot is discussed openly, is in the United States, claims Olavo.

"The war between the U.S.A. and world government has begun. If U.S. sovereignty falls, all will fall."

The only reason Brazilians don't understand this, says Olavo, is because of active disinformation put out by people like "Mr. Lyndon LaRouche, who passes himself off as an anti-globalist hero, selling anti-American prescriptions in the Third World, and who is widely read in Brazil. In a recent pamphlet, he goes so far as to associate Bush's foreign policy with the plans for world government laid out by Herbert George Wells, in a 1928 book, *The Open Conspiracy*."

William Kristol's New American Century, which Olavo insists is misreported and attacked in the Brazilian press as proof of the expansionist objective of the Bush government, is "only a late and partial proposal for possible reaction to an imperialist scheme already implanted in Europe, and in full process of extension to the rest of the planet. The war for the domination of the world has already begun. And Brazil has taken the wrong side," he raved.

Top Brazilian Anti-Nuclear Activist Gets Nervous

Former Brazilian Science and Technology Minister Jose Goldemberg blasted the new United States nuclear posture as a "new colonialism," in a *Washington Post* commentary published on May 28. Goldemberg, who personally oversaw the takedown of the Brazilian nuclear weapons programs in the 1990s, is worried that his successes in suppressing Brazil's technological capabilities could be overturned, by the backlash developing against far-out doctrines of the neo-con crowd

which has seized control in Washington.

Goldemberg wrote that at the time that Argentina and Brazil agreed to drop their nuclear weapons programs, those who argued that nuclear nonproliferation was a "new colonialism" by the nuclear powers, were overcome on the grounds that the nuclear powers would only use nukes in response to a nuclear strike. Thus, the only threat was that Argentina or Brazil would use them against each other. Although India and Pakistan did not fall for it, Brazil and Argentina did. Goldemberg complains that the U.S. threat to use nuclear weapons against Iraq, Korea, and others has led to the "remnants of the old nationalistic and military groups ... reviving their advocacy of national nuclear weapons programs." He calls on the U.S. to "abandon nuclear threats," and to pursue nuclear disarmament.

Central America's Role in World Land-Bridge Project

Included in this week's **INDEPTH** section is an exclusive interview with a member of El Salvador's National Development Commission, Roberto Turcios, in which he outlines the regional economic benefits which should result from the construction of a deep-water container port in La Union, on that country's Pacific Coast, if undertaken as part of a broader regional effort to construct a cross-isthmus "Dry Canal." In her introduction to the interview, *EIR*'s Christine Bierre points to the new port's even greater potential, when conceptualized as part of Lyndon LaRouche's proposal for extending the Eurasian Land-Bridge into the Americas via a tunnel running under the Bering Strait. Then, the construction of rail lines running across Central America, surrounded by full-set development corridors, becomes a necessity, to link the entire Americas to the explosion of economic development foreseen in the Eurasian region.

Western European News Digest

Bush '41'-Linked Thinktank Urges Overhaul in U.S.-Europe Relations

The Forum for International Policy, headed by Brent Scowcroft and Lawrence Eagleburger, issued a proposal May 30 stating that the Evian G-8 summit June 1-3 "is arguably the most important G-8 meeting in recent times, precisely because the leaders have such discordant views on how to manage global affairs. Until they can reach a common understanding on a desired course for the global ship of state, no real progress can be made on important issues such as the necessary conditions for creating jobs globally, terrorism, Middle East peace, North Korea, and economic and political reform in Africa.

"In fact, Evian is potentially an inflection point in the history of G-8 summits. If the leaders cannot surmount intense policy and personal differences over Iraq, or worse, are unwilling to make the effort, the G-8 process may collapse—at least at the level of the leaders. However, if the leaders decide to talk openly among themselves about what divides them in order to find common ground on global issues that can only be tackled jointly, there is hope the G-8 process can be revitalized and even strengthened.

"First, President Chirac and his G-8 colleagues should agree to put aside the formal agenda and the prepared communiqués.

"Second, President Chirac could convene his guests in private, without aides or note takers, for a frank discussion of how differences over Iraq have resulted in the most serious fissures in recent memory in the transatlantic relationship, a relationship that covers political, security and economic interests vital to all the participants.

"The global economy today, with the looming menace of deflation, merits the same attention from G-8 leaders as when French President Giscard d'Estaing hosted the first Economic Summit in 1975 to discuss, informally and without aides, the

grave state of the world economy.... Evian could be the time and place to restore the necessary trust and confidence among G-8 leaders."

France Imposes Stability Pact Austerity

France's budget deficit has risen from 3.05% of GDP in 2002 to an estimated 3.7%, so far, in 2003. This is way beyond the 3% tolerated by the Stability Pact addendum to the European Union Maastricht Treaty. By 2004, France's indebtedness will also breach the 60% limit permitted under the EU Stability Pact.

The EU bureaucracy is putting maximum pressure on France to cut public spending. French Minister of Finances and Budget Francis Mer has announced that France will not be able to comply with Maastricht by 2006, which all countries in deficit had pledged to do.

Government has frozen all spending at this year's levels for 2004 and is imposing austerity measures in several areas: research and development, education, and retirement pay. Cuts in the latter two areas have provoked a flare-up in strike activities which could lead to 1995-style mass strike activity.

The government has decided to fire 5,000 classroom assistants. Worse, the government decided to "decentralize" toward the regions, 110,000 non-teaching employees of the public education system (nurses, social assistants, etc.), which many suspect will lead to layoffs, as regions are financially weaker than the central government. Teachers have conducted nine separate strike actions between last October and the present, with strong rank-and-file support.

Government has decided to push pension reform to address the demographic shift—the rising ratio of senior citizens to youth. By 2008, the government will raise the number of years public-sector workers must have worked to receive a full pension from 37.5 to 40, which is already the rule for private-sector employees. Beyond 2008, the requirement will rise to 41 years, and then to 42. Government is also urging people to work beyond the age of 60.

Two large national demonstrations, one May 13 (with 1 million participants) and the other May 25 (700,000) were the prelude to strike actions set to start in the public transport sector on June 2 and 3, opening the way, perhaps, to developments similar to the national transport strike which provoked Prime Minister Juppé's resignation in 1995.

'Trigger-Happy' Arrogance Undermines U.S. Foreign Policy

A Washington-based opponent of the neo-cons, David P. Ryan, penned a letter to the editor of the *Financial Times*, published on May 26, responding to journalist Martin Wolf's report on the Bilderberg meeting (see article INDEPTH). Ryan's response was the lead letter in the May 28 *Financial Times*, headlined "Trigger-Happy Arrogance of Neo-Conservatives Undermines U.S. Foreign Affairs Self-Restraint"

Ryan finds Wolf's arguments "very intriguing," and stresses the important contributions made by "a certain kind of American nationalist," who promoted a foreign policy that was "generally altruistic, idealistic, slow to anger, and slower to use force."

Ryan writes: "This is precisely why so many conservatives like me feel betrayed by the neo-conservatives.... By acting with such trigger-happy arrogance, in pursuing a dubious war, they seriously undermined the assumption of self-restraint in American foreign policy.... Without restraint, the damage the U.S. may do to the world in the future could be great." Ryan charges that neo-conservatism is "more than irritating; it is sinister."

He points to George Washington's farewell address, who warned of the methods and intentions that are evident with this band of neo-cons, quoting Washington's warning against those "ambitious, corrupted or deluded citizens [with the] facility to betray or sacrifice the interests of their own country, without odium, sometimes even with popularity; gilding, with the appearance of a virtuous sense of obligation, a commendable deference for public opinion, or a laudable zeal for public good, the base or foolish compliances of ambition, corruption, or infatuation."

Chirac Denounces U.S. Hostility to Role of China, India

London's *Financial Times* ran a full-page interview with French President Jacques Chirac May 26, in which Chirac denounced the "hostility coming out of Washington," and insisted that Europe, China, and India have a role to play.

President Chirac stated that the most recent UN Security Council resolution on Iraq should not be read as approval for the Iraq war. "A war that lacks legitimacy does not acquire legitimacy just because it has been won." Chirac noted that the U.S. had to make concessions to its critics in the Security Council: "The U.S. has had to put a lot of water in its wine over the last 15 days at the UN.

"I have been struck by the hostility towards France coming out of Washington, and it saddens me. But I regard this as the chattering of a few people, which has been picked up by the media. Frankly, I don't lose much sleep over it.

"The U.S. has a vision of the world which is very unilateralist. I hold a vision of a multilateral world which apparently—and I say: apparently—is opposed to this. Europe is, and certainly will be in the future, here to stay as a major world power. Then we have to take account of the emergence of China on the world stage, and India too. So there are other poles."

Tony Blair Under Fire Over Iraq's WMD

Prominent British politicians have slammed U.S. Defense Secretary Donald Rumsfeld and British Prime Minister Tony Blair over "lies" about Iraq's WMD.

Robin Cook, who quit as leader of the House of Commons in protest against the Iraq war, told *BBC*: "If Donald Rumsfeld [citing Rumsfeld's remarks to the New York CFR on May 26] is now admitting the weapons are not there, the truth is the weapons probably haven't been there for quite a long time. It matters immensely because the basis on which the war was sold to the British House of Commons, to the British people, was that Saddam represented a serious threat."

Former cabinet minister and outspoken Labor MP Tony Benn told LBC radio: "I believe the Prime Minister lied to us and lied to us and lied to us.... The whole war was built upon falsehood and I think the long-term damage will be to democracy in Britain."

Tam Dalyell, father of the House of Commons, lashed out at Blair, after intelligence sources accused Blair's office of "sexing up" reports on Iraq's WMD, to make the threat appear more immediate against the wishes of the Joint Intelligence Committee.

LaRouche Organizers Engage French Ambassador to USA

LaRouche organizers in Houston, Texas attended an extraordinary public event May 26 at Rice University's Baker Institute for Public Policy, featuring France's Ambassador to the United States, Jean-David Levitte. Copies of LaRouche's exposés of the Strauss/Kojeve kindergarten were widely distributed, specially to the Houston-based diplomatic community.

Ambassador Levitte's speech was a pointed thrust for a saner policy, deep in the heart of Bush country. As moderator Edward P. Djerejian joked in his introduction, "Rice is probably the closest to Crawford, Texas that any Frenchman has been lately!"

In his remarks, the Ambassador stressed France's solidarity with the U.S. after the 9/11 attacks. "Nous sommes tous Américains!" However, this did not extend to providing support for a destructive war, whose stated objective, disarmament, was being accomplished peacefully by the UN inspectors, he asserted.

He concluded: "With the world economy *flat*, Europe and the U.S. together should be the engine of world development. Yes, we are friends. But friends are allowed to disagree!" In the Q&A that followed, Levitte blasted what he called the "snipers" in the U.S. media, and their accusations of French/Iraqi connivance.

LaRouche associates spoke to Levitte, asking "But did you know that the real authors of this war—Bush's Brain Trust—trained under a fascist philosopher named Leo Strauss, and that they also studied in Paris a Synarchist named Alexandre Kojeve?" "Yes, I knew that!" Levitte replied.

Russia and Central Asia News Digest

Chinese President Hu Jintao Makes State Visit to Moscow

Arriving in Moscow May 26, the new President of China began his first overseas trip in Russia, a fact that was emphasized in Chinese and Russian media as indicating foreign policy priorities. Hu spent three days in bilateral talks, then attended the third heads-of-state summit of the Shanghai Cooperation Organization on May 29. From there, he went to St. Petersburg to take part in the ceremonies for the city's 300th anniversary, and related diplomatic activities.

In an interview with Russia's *Interfax* news agency on May 24, Hu said that the development of Chinese-Russian relations was crucial for creating a multipolar world, and he also stressed the perspective of increasing economic and technological cooperation with Russia, especially in the areas of energy in general, including nuclear technology.

The Russian side likewise stressed bilateral cooperation "in the trade-economic, military-technical, science-technical, energy and transport spheres, nuclear energy, financial, space, aviation areas and IT, and other sectors that are of mutual interest," in the words of Foreign Ministry spokesman Alexander Yakovenko. According to *RIA Novosti*, Yakovenko on May 23 called for China and Russia to boost "the share [in their trade] of high-tech production, machine building and electronics. Also the share of other products with added value has to be increased." The increase of benefits from industrial cooperation could be "achieved through the transfer of technology and bolstering ties between small and medium firms."

Following their talks Hu and Russian President Vladimir Putin noted that bilateral trade has recently doubled, to the level of \$12 billion per year. They see that level as a way station, en route to a \$20 billion annual volume of trade.

At a press conference on May 27 after their first official heads-of-state level visit (the two have met before), Putin and Hu emphasized both emphasized a multi-polar international system. "The world order should be built on the basis of clear and facile international rules and international law," Putin said. "The world can be and should be, multipolar, if we want it to be stable and predictable." The Chinese President said "the new international political and economic order should bring peace, development and benefit to all people and nationalities regardless of the color of their skin."

Both leaders pointed to passages in their joint declaration signed that morning, voicing concern about the Korean situation and the situation in Iraq. On North Korea, they stressed that the problems should be solved peacefully through diplomatic means, that a guaranteed nuclear-free status of the entire Korean Peninsula should be reached, but including firm guarantees also for the socio-economic stability of North Korea. Concerning Iraq, the two stressed that from the humanitarian to the economic reconstruction aspects, life in Iraq should return to non-military regime as soon as possible, and proceed under the central role of the UN and along the resolutions passed by the UN Security Council. The two leaders said, "it is necessary to guarantee Iraq's territorial integrity, sovereignty and political independence, respect the will of the Iraqi people and its right to use the country's mineral resources."

Both leaders furthermore announced increased coordinated efforts internationally, to repair the damage international law and relations have suffered because of the Iraq war. In particular, they cited the two nations' roles in the UN Security Council, and the Shanghai Cooperation Organization.

Russian Foreign Ministry Stresses Russia-China-India Dialogue

On the eve of Chinese President Hu Jintao's visit to Russia, Russian Foreign Ministry spokesman Alexander Yakovenko told *RIA Novosti* (published in Russian on May 23) that the relationship between Russia and China "is an important factor in international and regional security. The example presented by Russia and China demonstrates how harmonic relations can be achieved between major states, neighboring countries, between the West and East, the North and South, between societies with different political systems and cultural traditions."

Both Russia and China share deep concern "over a dangerous trend towards unilateral action in international affairs," and both view the United Nations and especially, the Security Council as having a "central role as the crucial mechanism" to achieve and develop a multi-polar world," Yakovenko said.

He added, "Russia and China attach great significance, to the development of the trilateral Russo-Chinese-Indian dialogue, which started with an informal meeting between the three countries' foreign ministers at the 57th session of the United Nations General Assembly in New York." The three governments believe "that the practice of these meetings should be continued. Interaction between Russia, China, and India could become a useful format for the improvement of international and regional stability, and the counteraction of the contemporary era's threats and challenges." Specific importance is being attached, naturally, to the Asia-Pacific region, Yakovenko said.

Shanghai Six Institutionally Upgraded, After Moscow Summit

The Shanghai Cooperation Organization of, presently, six members (Russia, China, Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan), at its third heads-of-state summit in Moscow May 29, passed a set of documents, one of which transforms the hitherto informal group into a full-fledged institution with an official emblem of its own.

The SCO will be chaired by a general-secretary, the first candidate for that job being China's present Ambassador to Russia, Zhang Deguang. The office of the general-secretary will be in Beijing; while an SCO secretariat for the fight against terrorism will be set up in Bishkek, Kyrgyzstan. The secretariats will have a standing budget; summits will be held at least once a year. The next summit will occur in Beijing, in the autumn. All institutional measures will go into effect by Jan. 1, 2004.

At their concluding press conference, the Presidents of Russia, China, and Kazakhstan stressed that in addition to the fight against terrorism and the drug trade, for joint initiatives for an in-depth United Nations reform that strengthened the multipolar world order, intensification of economic cooperation not only among SCO members was important. The promotion of "the world economy's gradual and steady development for all countries' prosperity" is proclaimed a prime

objective of the SCO in its Moscow Declaration.

The next summit planned for the autumn, Russian President Vladimir Putin and Kazakhstan President Nursultan Nazarbayev said, will have as one of its priorities the formulation of guidelines for economic cooperation, notably in infrastructure and industrial development, but also in health care (e.g., SARS), science, and education. Putin said that a long-term cooperation agenda should be worked out, to create a framework for long-term, coordinated investments. Chinese President Hu Jintao stressed the importance of "boosting cooperation in the transport sphere, taking into consideration the region's needs," and of laying that out in a multilateral document "as soon as possible."

Putin: Europe Should Be an International Political and Economic Power

In his official message on the 300th anniversary of St. Petersburg, issued May 27, Russian President Vladimir Putin said that Europe would more than benefit from good relations with Russia. "I have said more than once, that if Europe wants to be an independent and credible power center in the world, the shortest and most reliable way to reach this goal is to have good relations with Russia." A lot of people in Europe share this standpoint. Especially the potential of cooperation with the Russian economy is seen by many people in Europe, Putin added.

He also said that today, St. Petersburg still is what it was once designed for, when it was founded 300 years ago—a window for Russia into the European West, as well as a window for Europe into Russia. Putin made special reference to the EU-Russia Summit, May 30-31.

The main diplomatic result of that EU-Russia meeting was the establishment of a permanent EU-Russia Council was established, to provide a framework for regular consultations not only between the EU Commission and the Russian Government as such, but also between the relevant government ministers. The Russian envoy for the council will have the status of a cabinet minister.

Russian news wires mentioned a speech by Germany's Chancellor Gerhard Schroeder before the summit session, calling for expanded trade and investments in Russia, as the main venue to also solve other problems that may still exist between Russia and the EU. Schroeder said that after the EU's expansion eastwards, in May 2004, it will account for 50% of Russia's foreign economic exchange and thereby be the main trade partner of the Russians.

Russia Responding to U.S. Utopians' 'Mini-Nuke' Policy

While striking a compromise with the Bush Administration around the UN Security Council Iraq resolution, Russian officials have sharply denounced the strategic madness of Donald Rumsfeld's plan to research "miniature" nuclear weapons, and have hinted of an "asymmetric" Russian response to these developments.

On May 23, a "highly placed" member of the delegation accompanying Defense Minister Sergei Ivanov in his talks with Secretary Rumsfeld and others in Washington, told Russian journalists that "Russia, in spite of the economic difficulties it has gone through over the last 10 years, has maintained a big potential in the military-industrial sector." "In fact," the source continued, "we are working on the creation of new types of weapons," including "weapons which could actually be regarded as strategic in character." He added that the new weapons "do not necessarily involve nuclear warheads," hinting at electromagnetic pulse weapons or other revolutionary areas where Russia is known to possess major capabilities. As for the U.S. plan to study developing "mini-nukes," allegedly for use against underground bunkers, the Russian official remarked, "there are other ways to destroy such targets."

Parallel with these statements, Russian military experts, including Dmitri Yevstafyev and Alexander Khranchikhin of the

Institute of Political and Military Analysis, spoke out on the implications of the Rumsfeld's plan to use "mini-nukes" in a future war, stressing that this danger must be taken extremely seriously. Indeed, "the very emergence of such an idea shows, that the Washington has de facto recognized its inability to attain its global ambitions on the basis of 'ordinary' military means alone." The fact that major ground forces will be tied up in the occupation of Iraq, greatly increases the likelihood of a U.S. use of nuclear weapons, Yevstafyev warned. The most obvious intended target for the mini-nukes would be North Korea, owing to the fact that major parts of that nation's military infrastructure, including command centers, weapons bases and production facilities, have been located in underground caverns and tunnels in mountainous areas. The same, it should be noted, goes for China.

Russia Quotes LaRouche on Dereg: Putting the 'Zubnuyu Pastu' Back in the 'Tyubik'

The June issue of the Russian financial monthly *Valyutny Spekulyant* (*Currency Dealer*) will carry a timely translation of Marsha Freeman's *EIR* article on the failure and rollback of electricity deregulation in California (see *EIR*, Jan. 31, 2003). In a brief introductory note, the editors make the point that at the very moment when Russia is proceeding with the breakup of United Energy Systems, the national power company, and deregulation of the electricity sector in general, the policies on which these steps were modelled have proven an ignominious failure in the United States. Accompanying the article are boxed quotes from key figures in the battle over deregulation, including the first Russian translation of Lyndon LaRouche's now-famous elaboration of "how to put the toothpaste back in the tube."

Valyutny Spekulyant has been carrying one or more articles from *EIR* in practically every issue, giving a significant number of Russian industry managers, as well as financial speculators, sustained exposure to LaRouche's uniquely competent economic and financial analysis.

In February, *VS* presented an article called "Greenspan Promises (To Print) More Money," a composite of several *EIR* articles that analyzed the Fed's move to a zero-interest policy of liquidity-pumping. The March issue included an article by Cynthia Rush on how international bankers, attempting to deal with the situation in Argentina, are really worried about Brazil. It was introduced by a polemical letter from *EIR*'s Rachel Douglas, suggesting that Rush's article would be a useful corrective to a recent *VS* article that painted Brazil as a "success story" for following IMF conditionalities. Douglass pointed out that it was fear about a Brazil default that prompted the Fed and other central banks to resort to the "wall of money" policy in early 1999.

The April issue carried Richard Freeman's report on the prospective bankruptcy of Fannie Mae and Freddie Mac.

Mideast News Digest

Shin Beth Assesses Threat from Rightwing Extremists

The Israeli Shin Beth security services are to reevaluate the threat of an attack on Israeli politicians by rightwing extremists, *Ha'aretz* reported May 28. The Shin Beth is evaluating the threat to Israeli politicians now that the Road Map is expected to be implemented.

The same day, *Ha'aretz* reported that The Temple Mount Faithful fanatics have drafted architectural plans for the construction of a \$3-million synagogue they want to be built next to the Dome of the Rock Mosque on the Al Haram al Sharif/Temple Mount. The plans were drafted by Gideon Harlap, an architect and president of the Temple Treasury Fund. The announcement is obviously a provocation coming precisely at the point when the Road Map is supposed to be implemented.

The Jordanian government warned Israel gravely against such provocations. Abdullah Kana'an, chairman of the Jordanian Royal Committee for Jerusalem Affairs, said "The hectic campaign being waged, with backing from officials of the Israeli government, to open al-Aqsa Mosque to the Jews is in fact tantamount to laying the foundation for a destructive religious war, the consequences of which nobody knows."

Israeli Knesset Passes Killer Austerity Budget

May 29, the Israeli Knesset (Parliament) passed the killer austerity budget proposed by Finance Minister Benjamin Netanyahu with a vote of 51 to 1, after the entire opposition walked out. The opposition has been conducting a filibuster by demanding separate votes on all the amendments (which number several hundred). The opposition walked out because the Likud Party Speaker of the House blocked these actions by procedural means.

Meanwhile, the workers of the electricity corporation restarted their job action protesting the government's privatization plans.

Two days before the vote, tens of thousands of pensioners, trade unionists and the Electric Corporation Unions took to the streets in Jerusalem to protest the policies of Netanyahu. The demos are being organized by the Histadrut labor federation. The government is trying to pass legislation that would unilaterally take over the pension funds now managed by the Histadrut and invest them in the stock market. It also wants to cut pension benefits and raise the retirement age to 67.

The electrical workers warned that their job action could expand to the point where blackouts could occur throughout the country. The workers are protesting plans to restructure and privatize parts of the company. On May 27, Netanyahu met with the electrical workers' representatives, agreeing to delay submitting the restructuring proposal to the Knesset, to allow them to present their objections to the plan, and the union agreed to a 24-hour break in their strike.

One in Three Israeli Children Living in Poverty

Yossi Sarid, Israeli Knesset member from the Meretz Party, wrote a commentary in *Ha'aretz* May 29, reporting that the Joint Distribution Committee has a campaign to raise funds to help deal with the problem of hunger in Israel, where they report one in three children lives under the poverty line. The JDC's program, "Hunger Forum," and wants to raise enough money to open a soup kitchen in every town in Israel.

Sarid expressed outrage that under Israeli Prime Minister Ariel Sharon and Netanyahu, Israel has been transformed from a "light unto the nations," into begging for help as "les misérables, a social case, a Third World country, seeking hand-outs as we expose our handicaps. Israel no longer expects proud identification, but pity...."

He wrote that Sharon and Netanyahu speak of Israeli military deterrence based on the strength of the Israeli army whose biggest asset is that it is based on a "strong society, on solidarity and progress," but now it looks like the Arab armies which everyone said were weak because they reflected "societies that were weak, poor, deprived, corrupt, non-progressive and lacking solidarity."

Road Map Postponed Major Israeli Military Offensive

On May 28, *Ha'aretz*, quoting Israeli military sources, reported that the Israeli military had postponed a major military operation in the Occupied Territories. The operation was to have been "an unusually large scale one, aimed at substantially changing the balance of power between Israel and the Palestinian Authority...." Security sources said the operation might still be launched if there are more serious Palestinian attacks.

Israelis Fired on Diplomatic Convoy—Again

Israeli soldiers fired on a diplomatic convoy that included diplomats from Switzerland, Great Britain, Greece, Sweden, and Australia, hitting the windshields of the cars. The group was touring Beit Hanoun in the Northern Gaza Strip, on May 26, where the Israelis have been conducting military operations. The soldiers fired at the cars at a checkpoint, claiming that the convoy did not stop to be checked. They even tried to claim that they thought the cars could have belonged to terrorists—a bit of a stretch, since the cars bore diplomatic plates and were most likely very expensive limousines or all-terrain vehicles not typical for refugee camps of the Gaza Strip. Two weeks earlier, the Israelis fired on a British diplomatic convoy carrying the British military attache among others.

In a similar show of intimidation, Israeli Defense Minister Shaul Mofaz refused to allow entry of Labor Party Knesset members into the West Bank for a meeting with Palestinian leaders. Mofaz claimed "security factors" as being behind the action. Members of the Labor Party delegation, which included Ophir Pines-Paz, Shalom Simchon, Ephraim Sneh and Yuli Tamir, said political factors were the reason for the refusal.

Did Powell Push Sanctions Against Israel?

The U.S.-based rightwing National Unity Coalition for Israel (NUCI), has circulated an e-mail report that Secretary of State Colin Powell's State Department had prepared a list of the misuse of U.S. military equipment by Israel, that had been given to the National Security Council in April amid Secretary Powell's efforts to force Israel to comply with the Road Map.

Unnamed sources at the State Department reportedly told *Independent Media News Agency* (IMRA) that the State Department proposed a list of sanctions, based on evidence of illegal use of U.S.-provided weapons in the West Bank and Gaza Strip—including AH-64A Apache helicopters, the AH-1G Cobra helicopter and the F-16 fighter jet.

IMRA also reported from a Congressional source close to the Bush Administration that: "It's hard to overestimate the anger within the Administration toward Israel regarding the delays to the Road Map.... The White House doesn't regard the Road Map merely as foreign policy. It sees the roadmap as a major element toward the re-election of the President."

OIC Presses Implementation of Road Map

At last week's OIC meeting in Tehran, Iranian President Khatami said most the important issue for the Organization of the Islamic Conference is support for the Palestinian people, to restore their legitimate rights and support their resistance against "Israeli organized terrorism."

Arab League Secretary Amr Moussa rejected the brutal practices against the Palestinian people, and called for an end to occupation of Iraq. Iranian Foreign Minister Kamal Kharazi said the Israeli nuclear arsenal and WMD are the real threat endangering international peace and security, while stressing the need to make the Middle East a nuclear-free zone.

Turkish General Threatens Coup

Turkish General Hilmi Ozkok took offense at the government's policy of re-hiring persons who had been expelled by the military because of their pro-Islamist activities, according to reports last week in the London *Guardian*. Last week he met with Prime Minister Erdogan, and it was leaked to the press, that he issued warnings (which he denied). Then, on May 26, at his briefing, Gen. Ozkok was asked a question about whether or not the military would repeat what it had done in 1997,

when it ousted Islamist Erbakan. "That was cause and effect," he said, "and if the cause is still there, then the effect will be there also."

Organized Looting of Iraqi Archaeological Sites Continues

Looters continue to steal artwork and relics from Babylon and other famous ruins, such as the site of the ancient city of Isin, where they were digging out and selling urns, sculptures and cuneiform tablets, the *New York Times* reported May 27. Reportedly, they know what to look for and how to get it out of the country. Iraqi officials, lacking power to stop the looters, as the police force has disintegrated since the U.S. invasion, now fear that Bremer's decree prohibiting most Iraqis from carrying guns in public, will disarm the Bedouin watchmen who guard the sites. The looting reflects the broader problem of lawlessness.

U.S. Losing the Peace in Iraq

That was the warning, issued May 29 by Zainab Salbi, the head of an NGO called Women for Women International, who has just recently returned from Iraq. Speaking at the Woodrow Wilson Center, she said that right up until she left Baghdad, one week ago, there was "absolute anarchy," and that the limited coverage in the news media doesn't even begin to give a glimpse of how bad the situation is in Iraq. There's no electricity, except for a couple of hours in the morning and a couple of hours in the evening, the water supply is very limited, there's no gas for cooking, and people have to wait in line up to 12 hours to get gasoline for their cars. The complete lack of security means that looting continues day and night, and land and other properties are being confiscated. Nobody is even attempting to hide the level of theft, because in many cases, that's the only people can live.

The kernel of Salbi's warning was that, while most Iraqis were happy to see the U.S. military come in and take out Saddam Hussein, all they've seen since is continued chaos, and Iraqis are so frustrated that nothing is being done to restore some sense of a normal life, that there is the danger that the hatred they once reserved for the Ba'athist regime will be turned on the occupying American troops. In particular, she warned of the danger of young men, especially former soldiers, rallying around certain Islamic fundamentalist figures in the country. As for Secretary of Defense Donald Rumsfeld's hand-picked opposition leader, Salbi said there is graffiti, in Arabic, all over Baghdad declaring that Ahmad Chalabi is a thief. She said that some of that ought to be in English so that it can be seen by the U.S. news media.

UN Schedules Talks on Iraqi Reconstruction

The United Nations announced that it will hold an informal June 24 meeting for all interested parties who want to contribute to the postwar reconstruction of Iraq. The UN's Development Program (UNDP) will host the meeting hoping to get the ball rolling on an "aggressive reconstruction agenda." UNDP director Mark Brown said, "The intention is in this June meeting to organize who wishes to participate,... in order to come back in the fall, probably September, with a more formal reconstruction conference." The World Bank and interested donors are expected to attend. While useful that the UN is asserting itself, a four-month 'meet and talk' delay in getting reconstruction started will only mean an increase in the death rate in Iraq, not to mention more time for clash-of-civilizations forces to play the situation.

Egypt Offers Cautious Support to Bush Peace Initiative

Foreign Minister Ahmed Maher told reporters on May 30 that "President Bush's coming to the region to hold two summits in Sharm el-Sheik is enough evidence that President Bush is serious about working with the regional leaders to reach a peaceful settlement." The statement came right after Egyptian President Hosni Mubarak met with U.S. envoys William Burns from the State Department and Elliott Abrams of the National Security Council.

While Abrams and Burns were in Israel (before going to meet President Mubarak), they informed Israeli Foreign Minister Shalom that Bush is putting together "follow-up teams" of observers who will monitor the implementation of the Road Map. This is another pressure point on Sharon (as well as on the Washington Likudniks), who has *refused* to allow any outside monitors, including a U.S.-only force, saying it would "put U.S. citizens at risk."

Syrian President: Does al-Qaeda Really Exist?

"Is there really an entity called al-Qaeda? Was it in Afghanistan? Does it exist now?" Syrian President Bashar Assad asked, according to the Kuwaiti newspaper *Al-Anba*, May 26. Osama bin Laden, the Saudi-born Islamic extremist who heads al-Qaeda, "cannot talk on the phone or use the Internet, but he can direct communications to the four corners of the world?" Assad said. "This is illogical."

Assad said he doubted al-Qaeda could have been behind the Saudi and Moroccan bombings, and then offered an analysis of terrorism as a sociological phenomenon. "We blame everything on al-Qaeda but what happened is more dangerous than bin Laden or al-Qaeda.

"We're talking about a certain ideological bloc. The issue is ideology, it's not an issue of organizations," Assad said. "Such an ideology cannot live without a certain social base. It has to convince people and strengthen its presence. Dealing with this issue should be through a social approach, not through security," which is only a "temporary remedy," he said.

Did Republican Guard Generals Send Troops Home?

"Senior Iraqi officers who commanded troops crucial to the defense of key Iraqi cities were bribed not to fight by American Special Forces, the U.S. general in charge of the war has confirmed," wrote the London *Independent* May 26. "Well before hostilities started, special forces troops and intelligence agents paid sums of money to a number of Iraqi officers, whose support was deemed important to a swift, low-casualty victory.

"General Tommy Franks, the U.S. Army commander for the war, said these Iraqi officers had acknowledged their loyalties were no longer with the Iraqi leader, Saddam Hussein, but with their American paymasters. As a result, many officers chose not to defend their positions as American and British forces pushed north from Kuwait.

"It is not clear which Iraqi officers were bribed, how many were bought off or at what cost. It is likely, however, that the U.S. focused on officers in control of Saddam's elite forces, which were expected to defend the capital. The Pentagon said that bribing the senior officers was a cost-effective method of fighting and one that led to fewer casualties.

"The revelation by General Franks ... helps explain one of the enduring mysteries of the U.S.-led war against Iraq: Why Iraqi forces did not make a greater stand in their defense of Baghdad, in many cases melting away and changing into civilian clothes rather than forcing the allied troops to engage in bitter, street-to-street fighting.

"John Pike, director of the Washington-based military research group, GlobalSecurity.org, said: 'It certainly strikes me that this is part of the mix. I don't think there is any way of discerning how big a part of the mix it is ... but it is part of the long queue of very interesting questions for which we do not yet have definitive answers.'...

"The confirmation [revealed in the current edition of *Defense News* by reporter Vago Muradian] that crucial senior officers were bribed, would explain why there was so little resistance in locations where it was anticipated that better-trained troops such as the Republican Guard would make a stand."

The *Jordan Times* referred to an article in the French weekly *Le Journal du Dimanche*, which said that "one of Saddam Hussein's cousins, Special Republican Guard chief Maher Sufian Al Tikriti, betrayed the deposed Iraqi leader by ordering his elite forces not to defend Baghdad after making a deal with the United States." Quoting an Iraqi source close to the former regime, the report said that the general responsible for defending the Iraqi capital left Baghdad aboard a U.S. military transport plane, bound for a U.S. base outside Iraq.

Asia News Digest

China Completes Deployment Of A Space-based Navigation System

Just after midnight local time, on May 25, China launched its third navigation satellite, called Beidou, to complete its satellite navigation constellation, which will provide precision positioning information for objects on Earth in three dimensions—latitude, longitude, and altitude. It is similar to the U.S. Global Positioning System (GPS).

Xinhua reported that the satellites could be used by the transportation industry to track moving ships and vehicles, emergency personnel for search and rescue, in telecommunications, etc. Also, like GPS, the system can be used for precision weaponry. China has no intention of being dependent upon the GPS system, which is run and controlled by the U.S. military, and can be turned off to civilian users at any time.

Will the Chinese Space Program Spur a U.S. Response?

Former Republican Congressman and chairman of the House Science Committee Robert Walker proposed May 29 in the *Washington Times* that the Chinese manned space program will have a "profound impact on the balance of power" with the U.S., regardless of any hostile intent on China's part. This, because it will demonstrate China's technological capacity, have an international impact (particularly on developing nations which would otherwise cooperate with the U.S.), and because China could "leapfrog the world in some important earthbound technologies," such as the use of lunar helium-3 to power fusion energy reactors.

Walker does not propose that the U.S. scurry back to the Moon to beat the Chinese to its resources, but that the U.S. develop technologies, such as "nuclear plasma engines," to position it to go back to the Moon, and also to Mars. The American aerospace industry and scientific community have been anxiously awaiting the first mission of Chinese astronauts, expected before the end of this year, to jump-start a long-range space exploration program for the U.S. and rebuild technical capabilities that have been all but destroyed.

Vajpayee Visit to Germany Creates Crucial New Dialogue

An important concrete result of the meetings that Indian Prime Minister Atal Behari Vajpayee held in Berlin beginning May 28, was the decision to hold bilateral summits at least once every year from now on, in addition to regular high-level consultations on matters of common strategic interest. Vajpayee met with President Johannes Rau and Chancellor Gerhard Schroeder, as well as with the German Ministers of Foreign Relations, Defense, and Economics.

Briefing journalists on his renewed April peace initiative on the Kashmir problem, Vajpayee told journalists that he has a vision that what was possible in Berlin, namely, the end of decades of tensions between East and West, when the Wall came down, should also be possible between India and Pakistan.

The Indian Prime Minister received support from Germany, when Chancellor Schroeder said at a press conference that he

thinks the Pakistani leaders should accept India's extended hand and enter a dialogue for a peaceful solution to the problems.

German Industry in Indian Development

In a speech May 28 in Munich, Prime Minister Vajpayee called on German industrial firms to utilize their genuine engineering capabilities to help India build roads, railways, sea ports, and power plants. In particular, he proposed a German role in the grand national waterway plan, which is to connect 37 big rivers in India with canals, turning them into a huge waterway grid from the south to the north of the subcontinent. The project is also meant to improve irrigation in traditionally drought-plagued regions. Vajpayee said that plans for Indian highway development alone envision construction of 13,000 kilometers—approximately the equivalent of building two huge highways in Europe, from Gibraltar to Moscow, and another one from Helsinki to Istanbul.

The Indian Prime Minister also offered Germany assistance in areas where India has an edge—for example, in nuclear technology. Unlike Germany, India has kept working with this technology and developed further, over the past four decades. Not without irony, Vajpayee said that India could help Germany dismantle its nuclear power plants efficiently (as called for in the current program of Germany's SPD/Green Party government).

Vajpayee and Schroeder Make Plans for Afghanistan

Chancellor Schroeder and Prime Minister Vajpayee also discussed German plans to expand the mandate of the security force in Afghanistan, beyond the region of Kabul—which is welcomed by India, as contributing to the consolidation of stability and to the reconstruction of Afghanistan as a whole.

German Defense Minister Peter Struck, who attended the meeting, plans to increase the German troop contingent for Afghanistan and deploy forces as protection for reconstruction projects outside of Kabul that are crucial for the country as a whole. The mandate for this mission is entirely different from that of the U.S. forces, which have been engaged mostly in military operations, trying, without much success, to track down al-Qaeda terrorists.

There are reports that the Americans, most of them at least, will be pulled out in the coming months, and the German plan, coordinated with the Dutch and countries that neighbor Afghanistan, is to shift the emphasis to a new mandate as soon as possible.

China and Iran, two of the neighboring countries, already underlined their interest in reconstruction and infrastructure restoration of Afghanistan: Iran has completed work on the main highway leading into Herat in western Afghanistan and will soon open the route for regular transport; China signed an agreement for the Parwan irrigation project and hospital reconstruction, funded with a special \$150-million loan to the Afghan government. The agreement was signed after meetings between Afghan Vice President Nimartullah Shaharani and Chinese Prime Minister Wen Jiabao, in Beijing.

Bipartisan U.S. Congressional Delegation Visits North Korea

A six-member delegation of U.S. Congressmen travelled to North Korea with the State Department's blessing, headed by Curt Weldon (R-Penna.), who said, "We are on a fact-finding mission to open doors for dialogue." State Department spokesman Richard Boucher said the group was not taking an official message from the Administration, but "We, of course, look forward to hearing from them on their return."

The delegation went first to Pyongyang, where they met May 31 with North Korea's number two leader, Kim Yong Nam

(they will not meet with Kim Jong Il), and planned to visit a school, a factory, a church, and a computer center. They have requested to visit Yongbyon, the nuclear center.

Koizumi in Texas Says North Korea Is Not Iraq

President Bush and Prime Minister Junichiro Koizumi warned North Korea May 23 in a joint statement that any steps it took toward building additional nuclear weapons would be met with a "stronger response" from the United States and Japan, although they did not specify the type of response. In that sense, the joint statement was much like that of South Korean President Roh Moo-hyun and President Bush May 14, as both statements concentrated on demands that North Korea unilaterally disarm and threatened unspecified measures if it did not.

"We are confident that our diplomatic approach will bring a peaceful solution," Bush said. "Yet we agreed that further escalation of the situation by North Korea will require tougher measures from the international community."

Pressure had been exerted by the Chickenhawks for Koizumi to go much farther than Roh and really threaten Pyongyang, but the Japanese foreign policy establishment had evidently made it very clear to Koizumi that a war in the neighborhood would not be tolerated. Speaking to reporters at President Bush's ranch May 23, with Bush by his side, Koizumi announced, "President Bush has been stating very clearly that all options will remain available, but that our response to North Korea would be different from that to Iraq." He added that Bush is "confident that a peaceful resolution can be achieved."

Bush—who during South Korean President Roh's visit to the U.S. left Roh primarily in the hands of Cheney and Rumsfeld, meeting Roh personally for only 20 minutes—spent two full days with Koizumi, giving him the treatment he reserves for his favorite allies.

Opposition Grows to Philippine Army's War in Mindanao

The Philippines' Roman Catholic Bishops joined political leaders on May 27, and called for an immediate end to the government military offensive against the MILF, saying that the MILF had informed the Bishops that they were open to peace negotiations.

Philippines Foreign Minister Ople has been invited to attend an Organization of Islamic Conference (OIC), to discuss the OIC's willingness to again serve as negotiator between the government and the MILF. Malaysia is also willing to continue aiding in that regard, while Senator Aquilino Pimentel and others have called for the U.S. to mediate. *The Inquirer*, the leading Establishment paper, editorialized against the government attack, while publishing a scathing column by Michael Tan called "Of Empires and Vassals," which directly accused Philippines President Glorio Macapagal-Arroyo of grovelling before the colonial master in Washington in exchange for favors to the court, while the country starves (the reference was to Arroyo's recent visit to Washington, where a state dinner was given in her honor).

President Arroyo has refused the MILF offer of a ceasefire, declaring it to be a trick, and announced continuing military raids on MILF areas.

Thailand Supports Indonesian Crackdown in Aceh

The government of Thailand has agreed to assist the Indonesian government in detaining leaders of the secessionist Free Aceh Movement, who are believed to be living in southern Thailand. Thai support came just days after the EU, Japan, and the U.S. asked Jakarta to reconsider its declaration of martial law in Aceh, where the secessionist Free Aceh Movement has

waged its campaign since 1976. During a recent trip to Indonesia, Thai Foreign Minister Surakiart Sathirathai defended Thai support for Indonesia's national unity, saying it was also in the best interests of Thailand for its neighbors to stay in one piece.

Indonesian President Megawati Sukarnoputri has also sought Thai cooperation in cracking down on weapons and drug trafficking through its southern provinces. Weapon stockpiles from Cambodia's civil war are abundant, relatively cheap, and are also sustaining the Sri Lankan Tamil Tiger insurgency.

U.S. Ambassador Threatens Malaysia

U.S. Ambassador to Malaysia Marie Huhtala said in a May 23 speech which was not released until May 29, that Malaysian Prime Minister Dr. Mahathir bin Mohamad's speeches attacking the U.S. unilateral war policy in Iraq were "not helpful statements by any standard." She added that "they are bound to have a harmful effect on the relationship" between the two countries. Some reports claim that the U.S. considered withdrawing its Ambassador after Mahathir's speech in March to the Non-Aligned Movement (NAM) in Kuala Lumpur. Huhtala lied about that speech, claiming Dr. Mahathir had called the 9/11 victims "collateral damage," when in fact he had denounced the U.S. policy of referring to the thousands of innocents killed in Afghanistan and Iraq as "collateral damage," and asked rhetorically if that means the 9/11 victims are also to be considered "collateral damage."

Dr. Mahathir responded to the threat by saying that "We will speak the truth. We have to say what we believe to be true." He ridiculed Huhtala's effort to divide Mahathir from his expected successor, Deputy Prime Minister Abdullah Badawi, whom she had praised immediately after attacking Mahathir's speech.

On May 31, when asked about the "clash of civilizations," Dr. Mahathir told *UPI* that "it is happening—we are right in it." He said that "the focus is on the Muslim world, as shown by the 'Who's next?' debate. Any Muslim nation could be invaded under any pretext." He added that the Iraq war "took place against international law and against international public opinion," and has nearly destroyed the UN. He said that "I will continue to speak my mind after I have left government," which is expected to be in October.

Africa News Digest

In Southern Africa, HIV/AIDS, Not Drought, Is Chief Cause of Hunger

UN Special Envoy for HIV/AIDS in Africa Stephen Lewis, emphasized that the disease—not drought—is the primary cause of hunger in Southern Africa, in discussion at the Global Health Council's Annual Conference, held in Washington on May 28. He quoted from his recent report: "HIV/AIDS is the most fundamental underlying cause of the Southern African crisis.... The link between food security and HIV/AIDS must be fully recognized." The prevalence of AIDS is decimating the agricultural economy, he said.

"You need no more empirical evidence, [than] your own eyesight, your own common sense, to understand what is happening. When one travels through those [African] rural villages and hinterlands, as I have done for the last two years, the human toll is desolating. The immune systems of huge numbers of women farmers are desperately weak; 7 million agricultural workers have died of AIDS since 1985; FAO estimates that another 16 million may die by 2020; the household assets have been exhausted by attending to parental illness; children have been pulled out of school to care for sick and dying parents, losing, in the process, the one meal a day that might have been available from a school feeding program.

"Malnutrition is everywhere evident; fields are left untended; crops aren't grown; food isn't taken to market, and if it is, no

one has money to pay for it. What we're talking about here is the way in which this virus—the cause of the most appalling communicable disease in human history—attacks the fabric of every sector, making the interplay of health and agriculture but one more shortcut to carnage." He summed up the situation: "When the body has no food to consume, the virus consumes the body. That's the essential meaning of the New Variant Famine. For millions of Africans already infected by HIV, the onset of full-blown AIDS and the rapid descent to death is the inescapable finale of a shortage of food. And the shortage of food, in its turn, opens up new pathways for the virus to spread."

U.S. To Oppose French Plan To Set Floor on African Commodity Prices

In the run-up to the Group of 8 summit in Evian, France, the Bush Administration was working to defeat French President Jacques Chirac's plan for putting a floor under African commodity prices. Chirac's plan is in line with the proposal that he made in February 2003, at the Franco-African Summit, for providing at least 10 years of favorable terms of trade for Africa.

President Bush's counter-proposal to "help" Africa "is believed to be a vast expansion of its subsidized food-aid program, allowing it to pump even more money into American farms under the guise of aid," according to the London *Guardian* on May 23. Speaking at the Coast Guard Academy May 21, Bush said he was urging the European Union governments to cut their \$4 billion in agricultural-export subsidies, to open trade to African agricultural products. But the White House is working behind the scenes to prevent any mention at the G-8 summit of U.S. agricultural-export subsidies, estimated at \$3.5-4 billion.

A G-8 official told the *Guardian*, "America's opposition to this plan is so strong, they will be negotiating ... right up until the wire. We might end up with nothing."

The Bush Administration launched an attack on Europe in mid-May, by filing an action with the World Trade Organization against Europe's moratorium on imports of genetically modified (GM) foods. The Administration is recalling that some starving African nations have rejected U.S. GM food aid, and has blamed Europe's refusal to accept GM imports, for Africa's fear to take GM food.

South Africa's Foreign Minister Addresses Iran Conference

Dr. Nkosazana Dlamini-Zuma, Foreign Minister of South Africa, in her capacity as the chairperson of the African Union Executive Council of Foreign Ministers, addressed the 30th session of the Organization of Islamic Conference (OIC), in Tehran May 28.

"I wish to reiterate that we, of the African Union and the Islamic Conference, should be in constant consultation on global issues," Dlamini-Zuma told the conference. "Our collective strength can create a world of peace and security and a world free from poverty." She added: "We, from the African Union and the OIC, have contributed to the rich social, cultural, and religious legacy of humanity. This legacy, which has nourished civilization for thousands of years, continues to underpin the fabric of our societies. It is this rich tapestry that must continue to be shared and celebrated amongst all humanity." She also emphasized the importance of continuing to engage the rest of the world: "We must also engage the North to make them realize that their peace and security is inseparable from ours." Her participation was part of ongoing efforts to strengthen relations between Africa and the Islamic world.

Pahad Stresses 'Common Vision' in Meetings in Damascus and Beirut

President Thabo Mbeki's point man for the Mideast, South African Deputy Minister Aziz Pahad, was in Beirut, Lebanon

on May 27, where he met with the Acting Foreign Minister and Minister of Information, Michel Samaha. He also met with the leadership of the Hizbollah. The day before, May 26, Pahad was in Damascus, where he met with Syria's Foreign Minister, Deputy Prime Minister, and Deputy Minister of Foreign Affairs.

In all the meetings, according to *SAPA* news agency, "it was reiterated that South Africa shared a common vision regarding a number of multilateral issues with Syria and Lebanon, and that conditions should be created for increased interaction" between the two sides. The aftermath of the invasion of Iraq and consequences for the region were discussed, as was the Road Map for Middle East peace. Concern was expressed regarding the volatility of the overall situation. It was mentioned that "it is essential to distinguish between terrorism and legitimate struggle accepted by international law and the UN Charter."

South Africa will shortly be opening a mission in Damascus "to give impetus to the bilateral relations between the two countries."

Nigeria: Obasanjo Sworn in as President, as Challenges Continue

Nigerian President Olusegun Obasanjo was sworn in for a second term May 29, and a remarkably large U.S. delegation was present, led by Secretary of Education Rod Paige. The delegation was to include Deputy Assistant Secretary of State for Africa Pamela Bridgewater, Deputy Secretary of Health and Human Services Claude Allen, National Security Council Senior Director Jendayi Frazer, Reps. William Jefferson (D-La.) and Carolyn Kilpatrick (D-Mich.), U.S. Ambassador to Nigeria Howard Jeter, and Salvation Army National Commander Todd Bassett.

The election results have been contested, but on May 27, the Nigerian Court of Appeals unanimously rejected opposition candidate Muhammadu Buhari's petition to suspend the inauguration, pending legal challenges to Obasanjo's reelection. The Court did order the electoral commission to provide Buhari with certified copies of election documents.

Buhari was restrained by Akure Federal High Court May 27 from staging a mass protest against the inauguration.

Just for good measure, the ruling People's Democratic Party issued a statement in Abuja, accusing Buhari and his running mate of planning the assassination of President Obasanjo, based on information printed in a national daily newspaper it didn't name.

The Conference of Nigerian Political Parties (CNPP) decided May 21 to hold rallies nationwide to build support for the overturning the results of the April 2003 general elections, but the police have refused all applications for rally permits, and promise to arrest and prosecute demonstrators.

The Arewa Consultative Forum, the northern sectional body, said May 27 it would not recognize Obasanjo as President for his second term because the elections "cannot be the foundation upon which to erect any governmental authority for the country."

Vietnamese PM Invokes Independence Struggles in Forum with African Nations

In his opening address to a forum on cooperation and trade between Vietnam and Africa, in Hanoi May 28, Vietnamese Prime Minister Phan Van Khai said, "Our President Ho Chi Minh and the African revolutionaries have laid the foundation and fostered that close relationship since the early years of the last century. The struggle for national liberation and the aspiration for independence and freedom have bound us together." Two-way trade between Vietnam and Africa in 2001 reached US\$215 million, up from US\$16 million in 1991, according to an official of the Ministry of Trade quoted by *Sapa-*

AP. South Africa is Vietnam's largest African trading partner.

Participating in the three-day forum were South Africa, Egypt, Algeria, Angola, Benin, Burundi, Republic of Congo (Brazzaville), Zambia, Ghana, Guinea, Libya, Morocco, Mali, Namibia, Nigeria, Rwanda, Tanzania, Sudan, and Sierra Leone.

Investment Analyst Says South Africa Should Avoid U.S., European Models

In a *Business Day* column May 29, veteran South African investment analyst David Gleason warned against adopting U.S. or European monetary models: "What we need is a permanently stable and competitive exchange rate. This must be managed so that it is not foolish. The best examples are provided by China and Japan. There was a time when the yen stood at 400 to the dollar, and that massive undervaluation produced continuously rising reserves. The Chinese take a no-nonsense approach, and they do not employ foreign (Western) advisers.

"The experiences of Europe and North America do not provide a template on which to build the management of monetary policy for South Africa. China, marching along its own route, has delivered 8% growth for some years now, with minimal inflation.... [T]here is now a perceptible move towards a return to fixed exchange rates around the world."

Gleason was viewed as controversial even before writing this column, because he has insisted for some time that the SA Reserve Bank could lower interest rates without incurring inflation, and that lowering them would greatly benefit the poor and the jobless.

Zimbabwe Diplomat: Africans Must Gain Control of Their Economies

Speaking on May 23, in anticipation of African Freedom Day May 25, Zimbabwe's Ambassador to Zambia, Cain Mathema, expressed his government's views in saying, "We [Africans] are preparing now for the next phase which is economic liberation." He said this was dangerous because Westerners were determined to retain control of Africa's economies, and this was evident from the unending wars on the continent: "In Zimbabwe we have an opposition party openly funded by Britain to champion goals of a colonizer, and Zimbabweans are fighting each other at the expense of national development." He said that multinationals were milking Africa's resources by using the IMF/World Bank to privatize government assets, but "the state, just like in the USA, Britain, Malaysia, and China, should remain a shareholder in the economy, but should allow parastatals to run commercially." There is no way Africa could develop through aid, he said.

Zimbabwe Opposition Leader Morgan Zvangirai Calls Mass Marches To 'Topple Mugabe'

Zimbabwe opposition leader Morgan Zvangirai says he will lead a week of mass marches, beginning June 2, which he hopes will topple President Robert Mugabe. From the government side, the only visible result of the visit of the Nigerian, South African, and Malawian Presidents to Harare May 7, is a wire from the African Church Information Service, claiming that "Mugabe's government has bowed to international and national pressure to hold a dialogue with Zimbabwe's opposition."

South African President Mbeki is still not playing the role defined by London and Washington. That role was spelled out by Harvard University's Robert Rotberg in a *Financial Times* opinion column May 19: "What in the world is Thabo Mbeki's game plan for dealing with Robert Mugabe?" Rotberg's "game plan" would be South African tanks against Mugabe. He writes that if Mbeki's "generals told Zimbabwe's army commanders and palace guard that the game was up, Mr. Mugabe's protectors would quickly fall into line. Mr. Mbeki must be prepared to make the case for military

intervention on humanitarian grounds. Alternatively, Mr. Mbeki might be able simply to order the 79-year-old autocrat to go into exile, or else.... Mr. Mbeki would then be kingmaker and savior combined."

But Zimbabwe's government-run newspaper, *The Herald*, on May 8, the day after the three Presidents' visit, made clear that this scenario is not Mbeki's: "South African President Thabo Mbeki yesterday said the solution to Zimbabwe's problems rests in the hands of Zimbabweans and will not come from South Africa, England, or any other country in the world."

Think-Tanker Charges Nigeria Is Facilitating U.S. and French Designs on Africa

Nigeria is "bidding aggressively for dominance at the continental level," charges Francis Kornegay, an African-"flavored," but British-influenced strategist at the Centre for Africa's International Relations, University of the Witwatersrand, Johannesburg. In his column in *Business Day* May 27, Kornegay claims—in a rather large leap—that Nigeria "has effectively taken over the direction of the New Partnership for Africa's Development (NEPAD) with the appointment of UN Undersecretary General and Special Adviser on Africa [former Foreign Minister of Nigeria] Ibrahim Gambari, as head of the UN Office on NEPAD."

Kornegay also makes the accusation that "Nigeria could become the pivot at least in West Africa between the prospective U.S. military imperium in the Gulf of Guinea and an emerging French-led European military identity with its own African agenda." What Africa gets in return, Kornegay does not say.

This Week in History

June 2-June 8, 1933

As the end of the emergency Congressional session, later to be known as the "Hundred Days," approached, President Franklin Delano Roosevelt was engaged in a virtual frenzy of activity, geared toward trying to put credit policy and economic policy on track for a sustained recovery. The Constitutional principle which the President was trying to ram through was clear: The *general welfare* of the U.S. population had to take priority in guiding the actions of the Federal government.

On June 5, the President took one of his most controversial actions in this direction, by signing the Gold Standard Act. This bill completed the process of freeing the U.S. government from an arbitrary, deflationary gold standard, by abrogating the "gold clause" in public and private contracts, and making legal tender acceptable in settlement of such contracts.

The significance of the series of actions which FDR had taken, which we will review in a minute, was succinctly summarized by author Arthur M. Schlesinger, Jr., in his *The Coming of the New Deal*. Schlesinger wrote this about the shift away from the gold standard:

"It meant that American monetary policy was no longer to be the quasi-automatic function of an international gold standard; that it was to become instead the instrument of conscious national purpose."

To put it in the language of today's analysis by Lyndon LaRouche: What Roosevelt did was to assert the sovereign right of the nation to control its own credit, rather than permit the "international marketplace" to determine what credit would be available. And he did it because the general welfare of the population depended upon it.

Gold Standard vs. Gold Reserve

Before we get further into our story, it's important to distinguish between two ways of looking at the gold standard: The "British" gold standard, whereby every piece of currency is convertible, vs. the gold-reserve standard, which permits gold to be used as a standard for international valuation, but at a ratio to the currency emitted. In the first, gold basically limits the credit which can be issued, and keeps control in the hands of those with "hard" currency. In the second, gold works as a stabilizer for settling accounts, but the fundamental reality of the fact that it is *production, not precious metal*, which comprises wealth, is made clear.

What FDR did with his moves on gold, which were followed up in international conferences, up to the New Bretton Woods Conference itself, was to move the U.S. from the gold standard—which had been imposed with Specie Resumption back in the 1870s, as a reaction against U.S. sovereign control of currency through the greenbacks—to the gold-reserve standard.

Defense of the Nation

President Roosevelt took his first measures on gold in the days and months immediately following his March 4, 1933 Inauguration. On March 5, he suspended all transactions in gold, and gave authority over any such matters to the Secretary of the Treasury. On April 5, he went further, issuing an executive order against hoarding of gold.

In the ensuing weeks, acting through Morgan Bank interests in Europe, and the private U.S. banks, including Brown Brothers Harriman, the Bank of England launched an all-out assault on the dollar. The result was an enormous demand for gold to be shipped out of the United States, into Holland and England. New York agents of the British began demanding a lifting of the gold embargo, and an increase in gold shipment licenses.

On April 19, the President called a press conference and announced that, effective that day, he would not permit the "exporting of gold, except earmarked gold for foreign governments ... and balances of commercial exchange."

But this still left the status of gold in limbo. The role of gold was still enshrined in all public and private contracts, as the ultimate means of payment, upon demand. This had an inhibitory effect upon lending, if, as was the case for the majority of those in business and agriculture who were trying to get back on their feet, the borrowers did not have access to gold. In fact, the President and his party were under excruciating political pressure from constituency leaders and their Congressmen, who wanted the loosening of credit, including even the reinstatement of greenbacks, which were used in the time of Abraham Lincoln.

Thus, Roosevelt decided to ignore the screams of the bankers, including "Democrat" Bernard Baruch, and have Congress pass a bill which would remove the last vestiges of the gold standard. The bill passed by an overwhelming majority—and, despite a legal challenge which lasted all the way into 1935—was ultimately upheld. As the first Treasury Secretary of the U.S., Alexander Hamilton, himself had said that public interest must outweigh private market concerns when they conflict: The "general welfare" is the standard.

Links to articles from *Executive Intelligence Review**.

[*Requires Adobe Reader®.](#)

Feature:

HISTORIC BANGALORE CONFERENCE:

For a Just New World Economic Order!

by Mary Burdman

The international conference on the 'World Situation After the Iraq War,' cosponsored by Chandrajit Yadav, chairman of the Centre for Social Justice of India, and Helga Zepp-LaRouche, chairwoman of the international Schiller Institute, was held in Bangalore, India, on May 26-27. This was the first international conference on these strategic issues to be held in Asia.

A Precis:

The Peaceful Concept of Technology Transfer

by Lyndon H. LaRouche, Jr.

In the aftermath of the recent, U.S.A. war against Iraq, the world has two broadly defined choices for the present course of history: Either there will be an inevitably disastrous continuation of the policies leading to the recent U.S. break from the proceedings of the UNO Security Council; or, the more hopeful prospect, the prospect of measures adopted to reverse the presently accelerating economic collapse...

'We Must Revive the Concert of a Just, New World Economic Order—Now!'

Here is Lyndon LaRouche's keynote, as delivered, to the conference on 'The World Situation After the Iraq War,' in Bangalore on May 26, organized by the Centre for Social Justice and the Schiller Institute.

Economics:

U.S. Fiscal 2003 Deficit Could Top \$500 Billion

by Richard Freeman

During the third week of May, the U.S. Treasury Department, in its parsed, dry language, dropped a bombshell: It reported that through the end of the first seven months of Fiscal Year 2003 (i.e., October 2002-April 2003), the Federal government registered an official budget deficit of \$201.61 billion. Further, the Treasury projected that, were trends to continue, the U.S. government would run an official budget deficit of an unprecedented \$304.16 billion for the full Fiscal Year 2003.

New NIM Report:

U.S. Infectious Disease Death Rate Is Rising

by Marcia Merry Baker

Even gross statistics now show that over the last 20 years in the United States, a near century-long trend of a declining death rate from infectious disease has reversed, and is now on the rise. *This is the case, without including the HIV/AIDS disease, which was first identified at the outset of this period.*

El Salvador Port Opens Up Regional Prospects

by Christine Bierre

Through an interview with Roberto Turcios, member of the National Development Commission of El Salvador and Regional Coordinator for the Eastern Zone of the country, a new prospect for regional economic integration in Central America emerges.

- Interview: Roberto Turcios

'The Port of La Unión Could Change History in Central America'

EIR's Paris correspondent Christine Bierre interviewed Roberto Turcios, member of the El Salvador's National Development Commission and Regional Coordinator for the Eastern Zone of El Salvador, during a visit to her native country in December 2002.

Business Briefs

International:

Will Bush Force Sharon 'Unilateral Surrender' on Road Map?

by **Jeffrey Steinberg**

May 29 (EIRNS)—On May 23, Israeli Prime Minister Ariel Sharon "formally" accepted the Road Map put forth by the Quartet, setting out a path for the creation of a Palestinian state over the next three years. (The Quartet consists of the U.S., the European Union, Russia, and UN Secretary General Kofi Annan.)

U.S. Targeting of Iran Fuels Iraq Resistance

by **Muriel Mirak-Weissbach**

No sooner has the smoke cleared in Iraq, than the chickenhawks have raised their strident voices in Washington, calling for regime change in Iran.

Report From Germany: Leaders Needed To End the Depression

by **Rainer Appel**

The Chancellor prevails over critics, but that does not halt the wide, called on the trade unions to economy's continuing decline.

A Look Behind the Al-Qaeda Terror Wave

by **Dean Andromidas**

In the space of two weeks, suicide bombers struck in Tel Aviv, Chechnya, Saudi Arabia, and Morocco—all attributed to Osama bin Laden's al-Qaeda organization. In a May 23 editorial, EIR cautioned those who would attribute these attacks to the 'sociological phenomenon' of terror by enraged Islamic militants. EIR asked the questions: Who benefits? And who runs al-Qaeda?

Elites Rebel Against U.S. Utopian 'Poison'

by **Mark Burdman**

The Hitlerian-fascist character of the Dick Cheney/Donald Rumsfeld-centered mob now running Washington policy, has engendered an unprecedented crisis within two of the leading oligarchical policy institutions of the trans-Atlantic and trans-Pacific elites, the Trilateral Commission and the Bilderberg Group.

Anti-LaRouche Operative Khashoggi Fired by Saudis

by **Hussein Askary**

Jamal Ahmad Khashoggi, editor-in-chief of the Saudi daily Al-Watan, was fired from his editor's post on May 27. The decision obviously came from 'higher' authorities in the government, rather than from the newspaper itself. International news wires reported that the sacking of Khashoggi, was a defeat for the 'reformists' and a victory for the 'extremists.'

Middle East Road Map: Will Bush Become Sharon's Lackey?

by **Dean Andromidas**

When Israeli Prime Minister Ariel Sharon approved the road map for a Middle East peace, he attached 14 'reservations.' After the reservations were made public, senior Israeli commentator Akiva Eldar warned in the daily Ha'aretz on May 27 that if they were accepted, they would turn the road map 'from a diplomatic initiative into an Israeli diktat of a Palestinian surrender agreement.'

International Intelligence

National:

Neo-Conservative Cabal Under Mounting Attack

by Jeffrey Steinberg

The 'regime change' in Washington, demanded by Lyndon LaRouche in the immediate aftermath of the Iraq war, moved considerably forward in the final days of May, with Secretary of Defense Donald Rumsfeld and the 'chicken-hawk' cabal inside his office coming under mounting attack—from the Establishment media, from the Congress, and from within traditionalist military and intelligence circles.

Intelligence Distortions Under Investigation

by Edward Spannaus

The manner in which intelligence concerning Iraq was distorted for political purposes, in the period leading up to the invasion of Iraq, has set off alarms among many current and former intelligence officers. There are two relevant areas of concern...

CFR Report on China Counters Neo-Con Aims

by William Jones

The release on May 22 by the New York Council on Foreign Relations of a report on 'China's Military Power,' was a shot across the bow of those neo-conservative warriors who aim at provoking a conflict with China over Taiwan.

Cheney Hires China-Hawk Author Aaron Friedberg

by Roch Steinbach and Mike Billington

Princeton University Professor of Foreign Policy, Aaron L. Friedberg, was recently appointed to the position of Deputy National Security Advisor to Vice President Dick Cheney, for a one-year period. EIR has learned that this appointment results from the concern among the neo-conservatives in the Bush Administration that, since 9/11, Asia policy has slipped out of their control...

Arab Knesset Member Appeals to Americans

by William Jones

While Israeli Prime Minister Ariel Sharon—ostensibly as a result of a terrorist bombing in Jerusalem—postponed his visit to Washington on May 20, where he was to meet with President Bush to discuss the 'Road Map' to Middle East peace, Azmi Bishara, an Arab member of the Israeli Knesset did come to Washington, with a message to Americans desirous of ending the bloodshed of the Israeli occupation of the Palestinian territories.

Congressional Closeup

by Carl Osgood

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