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This Week You Need To Know

LaRouche Addresses Cadre Schools in Seattle, — Monterrey, Mexico, and Wiesbaden, Germany

Here is the transcript of Lyndon LaRouche's opening remarks with three cadre schools, across two continents, on May 3, 2003: Seattle, Washington; Monterrey, Mexico; and Wiesbaden, Germany.

The subject for this week, obviously, as the lead of the briefing for several days emphasizes, is the issue of an organization called the "Synarchists," otherwise known as the "Nazi-Communist" group; and otherwise known in the United States today as the "neo-conservatives," a group associated with Vice President Cheney, Secretary of Defense Rumsfeld, and the group of neo-conservatives around them, who are followers of a French Synarchist—a famous one, by the name of Alexandre Kojeve; and Prof. Leo Strauss. Kojeve died in 1968. He was a key part of the Vichy pro-Nazi regime—that operation, where he had played a key role, then. And Professor Strauss, who was long a professor at the University of Chicago, who pulled together, in about three successive generations of these particular types of fascists, tied to the famous fascist attorney, Carl Schmitt, who designed the *Notverordnung* policy, under which the Hitler dictatorship was run.

These people are now controlling the mind, essentially, of the President of the United States. And, what we've seen since Sept. 11, 2001, in particular, but also originally with the very appointment of John Ashcroft as Attorney General, who is one of these crazy people—and evil and dangerous people—we've seen that the U.S. government has been going in a direction toward what some of these people call "World War IV": That they're moving, like Adolf Hitler, through wars and so-called "preventive wars," to try to dominate the world through nuclear, airborne, and related terror. That's what's going on.

The problem at present, in the United States—although this group that controls the President's mind and eyes and ears generally now, is a very small group—the problem is, that the Democratic Party, which should be the opposition party, is not functioning, because it, too, is controlled by right-wing currents tied to organized crime, very much with strong affinities toward the so-called neo-conservatives.

And therefore, there is no challenge, coming from the Democratic Party, of any significance, from the Congress. And, of course, the Republicans are imprisoned by the fact that Bush is **their** President, and therefore, there's only a very **indirect** opposition on many issues, coming out of the Republicans and the Democrats.

Therefore, under these circumstances, a very small minority, around Cheney and Rumsfeld, is presently, effectively, controlling the foreign policies and domestic policies of the U.S. government. So, what we have is, as I've said before, what happened—as I warned, in the beginning of January 2001, on the question of the coming inauguration, then of George W. Bush, Jr.—the dangers were two: First of all, a world depression, a collapse of the present world monetary-financial system, which was already progress, and which would go to a full-scale disintegration of the world economy unless it was stopped, combined with the danger, that, as in Germany in 1932-33, that the fear that this depression breakout might cause a return to policies like those of Franklin Roosevelt—the danger was, that somebody would do what was done

in Germany: Stick a Hitler in power, which is what they've done essentially, with Cheney and Rumsfeld and that crowd. And then, have a Reichstag Fire, some terrible incident, whose shock would be used to give these would-be Hitlers dictatorial powers inside the United States.

That is exactly what happened on Sept. 11, 2001, in which Cheney, the Vice President, who had advocated these fascist policies back under the first Bush Administration—but the first Bush Administration had then *rejected* those policies—Cheney, as Vice President, used the events of Sept. 11, 2001 and Sept. 12, the day afterward, to put into place, fascist policies and world dictatorship, which are all based on this Synarchist/Nazi-Communist model. That's our key problem in the world today.

How To Stop a Fascist Dictatorship

My view, as I've expressed this, is: How do you deal with this kind of problem? Well, if the depression gets worse—and it will, because under the present system, there is no solution; unless you change the international monetary system; scrap the 1971-2003 floating-exchange-rate monetary system; scrap free trade; scrap deregulation; and go back to the former type of international monetary arrangement that we had in the postwar period—there's no possibility that this thing will not go into a dismal collapse, which may bring about the collapse of the whole civilization. Under those economic conditions, it is not possible to resist indefinitely, the thrust toward the establishment of a fascist dictatorship, or something like it, on this planet, with what that means.

So therefore, only an economic recovery, an economic reform, of the type Roosevelt did in the United States, in 1933 on, only that type of measure on a global scale can work. We have, fortunately, in Eurasia, in particular, some of the roots or seeds of what could be a solution, or part of a solution. Today, Western Europe is bankrupt. There's no hope for Western Europe's economy surviving, under a continuation of present trends. However, Russia, France, Germany, and potentially Italy, are three keystone countries of Europe, which, in partnership with China, and India, and other countries of Asia, could create the greatest explosion of economic progress this planet has ever known. Because, with the large population of China, Southeast Asia, India, and so forth, this represents the largest market in the world. It's a growing market, especially in China. But, it has a lot of needs.

Western Europe's only hope is to develop trade relations, on a long term, with these countries in East and South Asia, which would mean that Europe itself could build up its level of production, to the point that Europe would have a breakeven level of operations, and therefore could handle its crisis. All of these measures, however, require a reform of the present world monetary-financial system. A drastic reform, which amounts to putting the system through bankruptcy reorganization.

My particular role in this process, is that I'm the key advocate who understands what has to be done. Nobody else in a leading position, around the world, is ready to move, as I am ready to move, in this situation. So therefore, I have to play this key role—not as simply making recommendations or proposals for reform, but of actually *pushing* for the implementation of drastic measures of reform, which are absolutely necessary, to keep this world system from crashing, and thus prevent these fascists from succeeding.

So, we're fighting against these fascists in the short term, trying to prevent them from succeeding in their ambitions. They're crawling ahead, trying to consolidate in position. They're not without opposition, but the opposition, so far, is not effective in eliminating the danger. It's sometimes effective in *resisting* the danger, but not eliminating it.

So therefore, that's the role we have to play; that's the role I have to play.

LaRouche: The Front-Runner

Fortunately, at this point, as you know, in terms of scores—that is, of number of people who are making financial contributions to my campaign—I'm the number-one candidate for nomination to become the next President of the United States on the Democratic line. There's a lot of resistance to that: The fascists don't like me much, and there are a lot of fascists in the Democratic Party who just don't like me! So, they are kicking and screaming, and trying to stop it. But, I'm not sure they can do that. I think—how can you be the front-runner, as I am now, for the Democratic nomination, in the Democratic Party today, and how can you, possibly, keep me out of the running, by bureaucratic tricks? It just won't work.

So, we have to assume that, not knowing exactly when, but fairly soon, it will be clear that I'm the front-runner into the center of this process. And that is our best hope right now, for getting out of this mess—if I can survive in the meantime. That's also a problem.

So, that's where we stand. But what we have to understand, is understand the long-term role, of this fascist organization, called the Synarchists, which played a key role in Mexico at various points: For example, the Napoleon III organization, which came in and took over Mexico, by shoving in Maximilian, was a fascist organization. And it represents the fascist tradition in Mexico. We have the same thing in the United States, the same kind of problem—and this thing is still here! This is the source of the problem we have, today, in the world, is this bunch of fascists.

And, on this point, my task is, to catalyze and support the exposure of this, to get people to come out of their blindness, and see the reality, what we're up against: To say, today, "Look, if you knew what Adolf Hitler was going to do, and you were a European, would you have tried to prevent him from coming to power? Would you have sat back, and just hoped that somehow he would just go away? After what he did to Europe? Now, if you know, today, that something just like Hitler, has moved in, to take over the United States government, and is presently controlling the mind of the President, would you do something about that? Would you work to try to free our government from those fascists? Or would you sit back, and say, 'Well, you gotta go along with these guys?' "

So, that's where we stand. In educating people on these problems, the problem of the nature of the crisis; the history of the crisis; what the remedies are; the danger from these forces, what their history is, where they came from.

The 'End of History'

I'll just do one summary point on that point, just to give you an orientation, for purposes of discussion: The theory of these fascists, is that, the end of history came in the course of the French Revolution, when Napoleon Bonaparte took power. Napoleon is the man on horseback. Napoleon is the image of the "Superman," the "Beast-Man," who, by taking power, would set up a system which would run the world forever; and thus, bring history to an end—that is, a perpetual system of this type. During the course of this process, the cult of Napoleon, became the controlling feature in European politics. And these fascists, coming through Napoleon III—who was another fascist—set up this kind of organization, which became known in modern times as "fascism."

But, Napoleon was the first fascist. The French Empire under Napoleon was the first fascist empire. This gave us Mussolini, among other things, in the 20th Century; and this gave us Adolf Hitler, both of whom were brought into power, by the Synarchist movement, using powerful financial circles, such as typified by the case of the Vichy government in France, the Banque Worms—this was the key there. And so, these guys, again, are operating inside the United States, and elsewhere, but especially the United States—and in Israel. They control the government of Israel, as well as, now, they're controlling the eyes and ears and mind (or whatever it is), of our President.

This is the danger! We have to stop this thing, now. But, to stop it, we must make clear to the poor people out there, what this thing is. If they think it's just a bunch of right-wingers, or a bunch of this, or bunch of that; if they think it's just an aberration, they won't realize how dangerous it is. And they won't realize the importance of bringing it down, and defeating it. So, apart from explaining the situation, and explaining the problem, presenting these solutions and fighting to get the solutions pushed through, we have to, at the same time, make people aware of what these monsters are, what the dangers are.

At present, again, I've said, my situation in the Democratic Party is fine; it was inevitable. There was no way that we *weren't* going to break out, as we have recently. And, it can not be stopped; even shooting me wouldn't stop it, because there'd be a dangerous martyr floating around there, in the ectoplasm sphere, or whatever, soon.

So that's where we stand.

So, I've opened myself to you at this point. I hope I've been provocative enough to get the questions from you, which will do the job we want to do today.

LATEST FROM LAROUCHE

In Vicenza, Italy:

LaRouche Delivers a Message of Optimism

Lyndon LaRouche spent several days in Italy last week, where on May 5, 2003, he addressed a think tank, ISIES, associated with the Chamber of Commerce of Vicenza, a northern city which produces high-quality goods for export. Here is the transcript of his opening remarks, which were followed by a lively two-hour discussion.

Thank you. What I shall present is, essentially, in the final analysis, a message of optimism. But we must face the realities, which stand in the way of success. To situate ourselves in the larger picture, that after the close of the Second World War, a policy developed by Franklin Roosevelt was incompletely used in cooperation between Europe and the United States, and elsewhere.

This was the original Bretton Woods system. A system of fixed exchange rates, of long-term regulation of tariffs and trade, and of the use of the power of the U.S. dollar, then, to provide credit for the reconstruction of Europe and other parts of the world.

This continued until a change occurred at the beginning of the 1960s. Some of you are old enough to remember, as young people or as adults, what happened in 1962, the great Missile Crisis, the repeated efforts of the international synarchist movement to assassinate President Charles de Gaulle of France, the assassination of President Kennedy, the entry of the United States into the war in Indo-China. This began a process of self-destruction of the United States, which gradually spread into Europe, and became severe after the 1971 change in the monetary system.

The coincidence of the Indochina War's beginning, with the Harold Wilson government in England, was a disaster for the United Kingdom as well as for the United States, and this disaster spread, as a trend in Europe, shortly after that.

What happened in the United States was, there was a long-term trend toward transforming the U.S. economy from a production economy to a consumer society. It is somewhat like what happened in Italy right after the Second Punic War, in

which Italy changed its character from a producer society to a consumer society, which lived by looting more and more parts of the conquered world, And we find that history echoed today in the policies of the United States toward other parts of the world, toward an imperial orientation.

In this process, between 1964 and 1971, and continuing through 1981, we had a very profound transformation in the characteristics of the world economy.

You had, the first phase was 1964 through 1972, predominantly the shift to a post-industrial society and the beginning of trouble in the form of an insurrectionary movement among youth and others.

In 1971, with the decision, under the influence of Kissinger, Paul Volcker, and George Shultz, Nixon broke up the postwar monetary system.

From 1971 to 1981, we had, both in the United States and Britain, and also worldwide, a process of deregulation, of destruction of the entire protective system of tariffs, trade regulation, and so forth. And this was continued also in the form of a breakdown and destruction of larger and larger amounts of the basic economic infrastructure of nations—mass transportation, power generation and distribution, water management, reforestation and similar environmental improvement programs, a post-1973 general global collapse of health-care systems, a post-1963 degeneration of educational systems of Europe and elsewhere, motivated by the OECD report of 1963.

Many parts of Europe have lost the ability to think or to eat. What has happened to a generation that has been victimized by this, the adult generation, was a change in the moral character of society.

In all my experience, and my knowledge of history, prior to the counterculture movement of the 1960s, the tendency in society, the practical, moral tendency within the population, was that the existing adult generation would think in terms of their children's and their grandchildren's generations.

The cultural change to a consumer society from a producer society, combined with the counterculture, produced what we call today the "Now" generation.

As a result, the generation of younger people—and I am working specifically with a generation between 18 and 25 years of age, the so-called university-age generation—is a "No-Future" generation. They think they have no future, or they have a shallow hope that they might have a future, as an exception to what is happening to everyone else in their generation.

This has an effect on the political systems. People under, say, between 50 and 60, who are now becoming dominant in running the institutions of society, they reflect an indifference toward the future. They think about the short term, the **now**. There is no significant long-term thinking in that generation, and the younger generation, which will be the future, sees itself as abandoned.

So, therefore, as we enter a great crisis, the political-party systems in which we had confidence in the 1950s and 1960s, have become ineffective.

We have now entered a great collapse crisis of the present monetary, financial system. This is extremely dangerous. You have a political system that is not working because of this "Now" generation, "No Future" generation problem.

Great masses of the poor, those below the lower 80% of family income brackets, are abandoned, and feel themselves abandoned. This is extremely dangerous. This is the kind of circumstance under which dictatorships arise.

We have now, as a result of this—and I speak frankly—a man, who is President of the United States, who I don't think knows how to think, who is controlled like a puppet by a pair of conspirators typified by the Vice President, which is very much a minority.

There is no support for this government in the majority of the Republican Party or the Democratic Party. It is like a coup d'etat. It tries to preserve its power by shooting for wars, as distractions from an economic crisis they refuse to deal with.

The Reason for Optimism

So, therefore, where is the reason for optimism?

We have in Europe, good reason for optimism about the possibilities for the future. We have a resistance to this war, which involves Russia, Germany, and France, in the United Nations. Various meetings held in St. Petersburg, among representatives of these countries, typify an intention to move toward some form of beneficial cooperation.

At the same time, the great opportunities for Europe, which is bankrupt under the present system—Europe can not continue this way—lies in Asia. The greatest population centers of the world and the greatest areas of growth lie in South, East, and Southeast Asia.

On the one side, Europe, to survive, needs those markets. On the other side, Asia, most notably the case of China, requires the technology sharing, which enables it to deal with its internal problems.

You have in Asia, you have in China, Russia, Kazakhstan, included, as a partner, and in India—you have the immediate basis for developing a system of cooperation, security, and stability. You have the beginning of large-scale cooperation between this group of nations and the so-called ASEAN group of 10 nations.

The greatest water projects in modern history are under discussion, or are already in progress, in this part of the world. The water-management projects in China are beyond anything we've seen in Eurasia before this time.

The hydro-electric project in Tibet, using the Brahmaputra to develop energy sources for China, India, Bangladesh, and Myanmar, is already being seriously pushed.

If we succeed in the policy effort launched as the so-called "Sunshine Policy" by South Korea, we will have also another factor, called the North Asia factor: the railroad systems of Korea, if you unite Korea's railroad systems, going two directions. They start from the southern tip of Korea in Pusan; as they go north, they bifurcate: One goes to China, one goes to Siberia, which means, that if you link up these systems, if you repair the trans-Siberian route, if you complete the Silk Road route, then, you can have high-speed freight transport from Pusan to Rotterdam, and so forth.

Now, there is another problem in this: raw materials. That is, the raw materials of Asia are, to a large degree, concentrated in Central and North Asia, in a part of the biosphere, which contains a lot of these minerals. The central part is largely arid. The northern part is Arctic tundra. There are vast amounts of water going by rivers, such as the Ob, into the Arctic Ocean. The diversion of some of that water south would transform Central Asia.

In Russia, the technologies for working in the Arctic have been in progress for some time. We can conquer the tundra as a matter of economy. With high-density energy systems, we can conquer the tundra.

Therefore, what we need is not merely a transport system from Europe to the Pacific, those transport systems must be routes of development, the way we did in the United States with the transcontinental railroads.

New cities, power projects, water-management projects, production projects, shifts of population into the newly developed areas. That will permit us to conquer the territory economically, where the largest resources for the future lie.

Now this is in the interest of Europe. It is in the interest of Asia. This involves not export of products, but as we see in the case of Germany's sale of maglev technology to China, the future lies in technology sharing. The great export industry for Europe is technology-sharing export.

The heart of this will be, to a large degree, the independent medium-sized small businesses. What is needed is to set up mechanisms under which we can integrate the potential of what we call in German, the *Mittelstand* layer of Europe, to integrate it efficiently as a partner in a long-term process of technology-sharing.

This means, practically, more immediately, more channels of discussion between people in Europe and people in Asia. You know how technology-sharing works, you have already experienced it in various approximations.

But the difficulty in bringing the partners together, if the partners are individual small- or medium-sized firms is obvious. Facilities of discussions and explorations are essential because what Europe needs is an increase of productive employment sufficient to allow the countries of Europe to operate at a real breakeven level, physically.

For example, if Germany fails to increase the number of employed people by 3 million employees, it is a disaster for all Europe.

Similarly, in the United States, we have 50 Federal states in the United States. Forty-six are bankrupt. That is, they can not maintain essential functions on the basis of states in the United States. If you use so-called fiscal methods of austerity, you make the problem worse. You raise tax rates on the lower levels of income and production, you make the problem worse.

So, the problem is, as in Europe, the need for large-scale infrastructure projects of an essential character, which will raise the employment levels. In the case of Eurasia, it is cooperation throughout Eurasia, which gives the impetus for large-scale projects.

For example, I have in Italy, one longstanding ambition. It involves the Mezzogiorno, in particular, but it also involves, even more particularly, Sicily, and it involves the *center* of Sicily. Now, in the time that Sicily was, in part, *Magna Graecia*, or before the center was richly forested, it was one of the richest parts of all Europe.

But how can you develop the center of Sicily? How can you get trees growing again in the center, where they used to be?

The obvious infrastructure thing, which includes the Messina Bridge, is the connection to Africa. Immediately, North Africa, the traditional route. Italy is, economically, a maritime country. The coastal area relative to the habitable land area is very large. It is surrounded by the Adriatic and the Mediterranean. It historically has always been a crossroads to the Middle East, and to North Africa.

So, therefore, if you have cooperation in long-term economic objectives, then you have the need for, and the motive for, developing the infrastructure systems, which will develop the internal parts of the country.

We have similar situations in the Americas between North and South America. The physical opportunities for great rates of growth are there. The problem is the present monetary system, financial system, and the problem is this shift from a producer society to a consumer society mentality.

Some Economic History

So, just look again at this chart ([Figure 1](#)), which I've used many times, but just to make the point clear. What this is, is a pedagogical outline of the economic history of Europe and the Americas, especially, since 1966.

The U.S. government budget and policies of 1966-67 fiscal year were a turning point in U.S. internal economic history. If you take what was happening in England under the first Harold Wilson government, a terrible process, of wrecking what remained of the economy, was launched. This spread throughout the British Commonwealth system.

This was accelerated by 1971, by the change in the monetary system. This went along with the destruction of the economy through 1981. It occurred the following way: The United States made a stupid turn, in dealing with the collapse of the Soviet system. We should have, as I proposed in 1988, before it collapsed, knowing it was going to collapse, we should have gone in with what I called a "Food for Peace program.

Since I had studied it, and had known the reasons for the Soviet collapse, and I had warned that it was going to occur. I knew the potential, economically, in that area under certain reforms. Instead, what happened was, the United States looted the former Soviet system. The so-called prosperity of the 1990s was largely based on looting the former, Soviet-extended system, including Eastern Europe. In 1996, this reached the breaking point.

You had the speculators in 1996 and 1997 rush into a hedge-fund looting of Asian nations. We exported the disease, and sucked the blood of Asia, and called it an Asian crisis. After 1997, Russia was also at the limit of its ability to sustain this kind of looting.

The 1996 re-election of Yeltsin was the beginning of the end of the Yeltsin system. The last gasp was done with the hedge funds again, in floating a phony bond called a "GKO."

In the middle of August 1998, the GKO-bond system collapsed. They were faced, then, with an immediate next crisis in February of 1999: the Brazil crisis. The Brazil crisis threatened a total collapse of South America, which we have seen in the case of Argentina, which has threatened Brazil.

In anticipation of this, President Clinton announced that he had planned to make moves toward a reform of the international monetary system—this was in September of 1998. He was attacked with a scandal, which was used to try to impeach him, to get him to stop doing that—the usual way of making a coup d'etat with a scandal. It didn't work, but it weakened Clinton greatly. As a result, in October, at the Washington monetary conference, certain insane policy decisions were made, out of desperation.

The policy, then, was the "wall of money" policy. That is, to print more and more money, using new means made, possible by electronic monetary emission.

The rate of monetary inflation in the system now is greater than it was in 1923 Germany. That's why I put this chart on to illustrate what our present problem is.

In the spring of 1999, our statistical studies of this process showed that the rate of monetary emission exceeded the rate of financial rollover.

This is what happened in Germany, between June and November of 1923. Now, the first question in my mind was, is this a temporary phenomenon, or was this a permanent one? By the beginning of 2000, it was obvious that it was permanent. It was a systemic structural feature of the system, as it was then operating.

The system is finished, which is why I was able, when this funny thing, Bush, was inaugurated, was able to forecast exactly the kind of thing that would happen under Bush: the collapse of the system, and an incident like the Reichstag Fire of 1933.

Remember, on Feb. 27, 1933, Hermann Goering set fire to the Reichstag. On the 28th of February, Hitler was declared dictator.

On the 11th of September 2001, the attack occurred by aircraft on the buildings in New York and the Pentagon. Vice President Cheney emerged immediately, with a program he had had since 1991, for a war in Iraq, for general dictatorial measures of so-called "security" inside the United States, and so forth.

That's the reality we are living with.

Now look at the other part of the curve, the down curve. Over the period from 1996 to the present, while there has been growth in financial aggregates—actually hyperinflationary growth in financial aggregates—there has been a decline in the net physical output, per capita and per square kilometer. This is clear if you use actual proper deflationary figures, and if you take into account the loss of economic potential represented by loss of basic economic infrastructure.

A Magnificent Opportunity

So, we have reached the point where it is not possible to reform the present system. Therefore, as I indicated earlier, on the optimistic side, the nations of the world have before them a magnificent opportunity, especially in Eurasia, for great growth. Under any rational monetary-financial system, there should be great growth. If we could operate, even under the rules we used between 1945-46 and 1960, we would have great growth.

The model of postwar reconstruction is an ideal model of growth. The problem is, that you can't do it under this system, because the amount of financial debt and monetary debt on top of the production is so high, that you can not pay the financial charges. You can not grow to pay off the financial charges, because there is no capital to invest in things that are productive.

Therefore, the world is bankrupt. What do you do with a bankruptcy? You go to government, and you put the bankrupt institution into receivership. You put the monetary system and the financial system into receivership.

You reorganize the system to save the baby. If we were to do that, we could survive. There are things that we could be trying to do now, which, were we to do that, we could survive. Improvement of east-west trade in Eurasia is a good idea. It is what you have to do. It should emphasize technology-sharing, rather than simple exports, but we can not continue that unless we put the system into bankruptcy.

What do we need? Put the system into bankruptcy under the general-welfare principle. Then what do you do? We have to

establish agreements of the following form: The governments, which must take over the financial systems and the central banking systems, must move to establish a fixed-exchange-rate system. It is the only way you can do it, because if we can not have 1-2% maximum rates of interest on long-term loans, we can not finance our way out of recovery. And, you can not maintain loans at 1-2% simple interest rate under a floating-exchange-rate system.

Now, how does it work? You have to create credit. How do you create credit? In the United States, by our Constitution, we can create credit by fiat act of government, with the approval of Congress. Under the existing systems in Europe, which are based on the Anglo-Dutch Liberal model of the state apparatus of the parliamentary system and the central banking system, measures have been taken to prevent that from being done. The *fondi* won't allow it. So, the other way to create credit—you can't use the Keynesian system under this condition—governments can make long-term agreements with other governments on trade. So, a regulated fixed-exchange-rate system, with long-term agreements, 25-50-year lifespan, on tariffs and trade and investment—these kinds of things are what you need to have a rapid expansion of what the potential in Eurasia, for example, represents.

So what does an optimist do in a situation like this? And, there is no sense in being a pessimist. In addition to all your other troubles, you'll feel miserable. The only thing to be is a wise optimist.

So, in the matters of business and economy, think of the long term of where we should be going; try to move in that direction any way you can, at the same time, knowing that the governments can not solve the problem that they have with their present ideas. We are going to come to the point where the governments are going to have to change their way of thinking. They are going to have to be realistic about this crisis. Then, they are going to cry, come save us!

And the only thing that exists for us that we can get agreement on is the historical precedent of postwar reconstruction, as between Europe and the United States.

What we had then worked. What we have had since 1971, did not work. You tell the man to stop going to the gambling casino, and go back to work. The connection between the two is the spreading of those ideas, political and other ideas, which will make it possible for us to make the connection between the two things.

Study for survival and qualified success within the terms available. But you can't swim across the ocean. Build a boat.

Thank you.

U.S. Economic/Financial News

House Bill Would Cut Billions from Retirement Plans

If a bill now before the House of Representatives is adopted, blue-collar workers will be cheated out of a significant amount of the pension funds, according to a report in the *New York Times* May 6. As part of a larger pension bill pending in the House, a provision based on actuarial data would allow companies to assume that their blue-collar workers will die, on average, sooner than is now assumed by their pension plans—most of which are underfunded. As a result, companies would not have to pay future blue-collar pensions for as long a time as they currently do, thereby lowering the amount of pension money they are required to set aside.

However, the chairman of the actuarial panel has written to the Treasury Department, which regulates pension funds, warning that the panel's data were being misapplied, and could be used in a "curious" and "arbitrary" way. Edwin Hustead,

in an interview with the *Times*, said that the bill would not require companies to include in their pension calculations the data showing that white-collar workers live longer, which would increase pension obligations of unionized companies with mostly white-collar employees.

Moreover, higher-paid workers live longer, whether they are blue-collar or white-collar, and thus require longer pension payouts, he said, but the bill doesn't include this fact. Many auto workers and airline pilots, as well as aerospace engineers, were classified as "blue-collar," but they also are highly paid—and so did not fit the statistical patterns.

Reduced contributions to already underfunded pension plans could also result in even more defaults, jeopardizing retirees.

The United Auto Workers union, whose pension plans are extremely underfunded, wrote a letter in support of the measure.

The new mortality table, devised by the Society of Actuaries during 1994-99 and sent to the American Academy of Actuaries—which rejected the SOA's adjustment for income level—was released in 2000.

In a similar vein, the financially strapped airlines sector is seeking legislation that would exempt them from making, for almost five years, "deficit reduction contributions," which are special accelerated payments that companies are required to make to pension plans that are less than 90% funded on a current-liability basis. The measure, which is supported by the Air Lines Pilots Association, has as yet no named sponsors, and would be attached to an existing bill, to reduce scrutiny.

The austerity provisions typify the accountants' mentality that destroys the basis of true economic profit, human cognition.

Banks' Derivatives Holdings Give Greenspan Jitters

Federal Reserve Board chairman Alan Greenspan warned May 8 of the danger to the global financial system from a default by one of the major derivatives-holding U.S. banks. The concentration of the derivatives market in the hands of a few investment banks "gives me and others some pause," Greenspan told a banking conference (via satellite), organized by the Chicago Federal Reserve Bank. A single dealer (JP Morgan Chase) accounts for about one-third of the global market in both interest-rate and credit derivatives, he said, and a handful of dealers account for more than two-thirds.

"When concentration reaches these kinds of levels," he cautioned, "market participants need to consider the implications of exit by one or more leading dealers.

"Such an event," he warned, "could adversely affect the liquidity of types of derivatives that market participants rely upon for managing the risks of their core business functions.

"If a major dealer exited and other dealers were unwilling to fill the void, the liquidity of the market likely would be impaired," he said.

In case of such a default, counterparties to derivatives contracts held by the dealer, Greenspan warned, would face credit risks. Contracts would have to be unwound, "netting" out the resulting gains and losses. Counterparty exposures have grown so much, even with the already wider use of netting, he said, that participants have used collateral agreements, increasing their funding-liquidity risks.

Greenspan again opposed government regulation of the over-the-counter derivatives market, peddling market discipline through counterparty evaluation and monitoring.

Fed Warns of Inflation, Economic Uncertainty

The Federal Open Market Committee voted unanimously May 6, to keep the Federal funds rate for overnight loans between banks at a 41-year low of 1.25%; but indicated that it may reduce rates in the future, as the "timing and extent" of an economic improvement "remain uncertain," with the possibility of "an unwelcome substantial fall in inflation." The economy is weighted, it warned, "toward weakness over the foreseeable future."

The following day, an op-ed by Robert Samuelson in the *Washington Post* worried that the U.S. economy is going the way of Japan. "Stubborn Stagnation," Samuelson called it, and fretted over the "baffling twilight zone" of jobs and stock markets falling, low growth, and now, like Japan's ten years of stagnation, "We could slip into the same trap." He admits he has no idea what to do, but points out that both political parties are "using the petty debate over the proposed dividend tax exclusion to avoid the harder questions."

Number of Long-Term Unemployed Rises to 20-Year High

Of the official 8.7 million jobless workers in the United States, almost 2 million have been unemployed for six months or longer, the highest level in two decades, according to the Labor Department's Bureau of Labor Statistics, published in the *Washington Post* May 8. More than half of unemployed workers have had to postpone medical or dental treatment, while about one-third said they had lost their health insurance, according to a survey released by the National Employment Law Project. And about 25% of the respondents had lost their homes, or been evicted from their apartments.

At the same time, the four-week average of new claims for state unemployment benefits rose by 60,000 over the past 13 weeks, to a one-year high of 446,000 in the week ended May 3. The average number of continuing jobless claims increased over the past four weeks to more than 3.6 million, not including 800,000 workers who are receiving Federal unemployment benefits that expire on May 31, the highest level in six months.

Planned U.S. Layoffs See Dramatic Rise in April

While long-term unemployment hit a 20-year high (see above), new layoffs are rapidly expanding the number of unemployed Americans. Planned U.S. layoffs soared by 71% in April to the highest level since November. Some 40% of the announced job cuts were born by the public sector, amid the blow-out of state and local government budgets. A whopping 146,399 layoffs were announced in April by U.S. employers, compared to 85,396 in March, the employment research firm Challenger, Gray & Christmas reported May 5. Government agencies said they planned to cut 57,927 jobs, the largest one-month total from a single sector since Sept. 11, 2001.

'Imaginary Income' Inflates Government Figures

The government uses "imaginary income" to show rising personal income, wrote *New York Post* senior columnist John Crudele May 6. The Bureau of Economic Analysis uses "imputations," meaning "the government adds a lot of stuff into its calculations that no sane person would consider income," Crudele writes. Examples of the \$84 billion in "income" in 2001, include free checking accounts and imputed income homeowners get from occupying their own houses instead of renting. Even meals served to military personnel are classified as income, to the tune of \$11 billion in 2001.

NYSE Chairman Richard Grasso's Possible Conflict of Interest Raises Eyebrows

New York Stock Exchange chairman Richard Grasso's whopping \$10-million compensation package was approved by a

committee comprised of executives of firms that he is charged with regulating, the *New York Post* reported May 8. (Perhaps the compensation was payback for the deal Grasso made with the Colombian narcoterrorist FARC a few years ago, which presumably directed the profits from its criminal activities into Wall Street securities.)

The revelation came as Grasso was testifying on Wall Street reform to the Senate Banking Committee, promising to investigate "related areas of misconduct." The lack of transparency about his pay, the *Post* says, has "corporate governance experts baffled." Three of the committee members are under investigation by the NYSE for trading violations.

States' 'Rainy Day' Funds Slashed by Half as Economies Sink

Among recent stories on the economic blowout hitting American states, is that of the *Washington Post* May 4: "Rescue's Just Not Part of the Plan," by Michael Powell of the *Post's* New York bureau. Overall, the states' "rainy day" funds are down from \$20 billion to \$20. At present, "California faces a \$34 billion hole, New York's is \$12 billion and President Bush's home state of Texas anticipates a \$9.9 billion shortfall through 2005.... But rather than the sort of rescue package much wished for by the states, the Administration is suggesting additional responsibilities. It proposes to replace the \$13 billion Section 8 housing voucher program—the country's main form of housing assistance for the poor, with one that the states would run." Also, that the states should pick up the tab for operating intercity Amtrak. Likewise, for additional public-health care for "Bio-Shield," and so on.

"How bad is it out there?" asks the *Post*. "Forty-nine states operate under balanced budget requirements, and 30 of those states and the District of Columbia are facing budget shortfalls. They have narrowed the gaps by implementing short- or long-term tax increases, laying off personnel, reducing Medicaid eligibility, delaying capital projects, raising college tuition and tapping reserves such as rainy day funds."

In New York State, a \$2.7-billion "city-relief" package for New York City was filed in the state legislature May 2, and may be ready for a vote May 5, which involves all kinds of tax fiddles, as does a big budget proposal for the state itself, which Gov. Pataki threatens to veto. As everywhere, the question is, how to restore the economy?

States' Jobless Funds Dwindle as More Americans Need Coverage

The state of Delaware announced it will raise unemployment insurance tax rates from 8.2% to 8.5% for businesses, and at the same time cut benefits paid to unemployed workers, the *Delaware News Journal* wrote May 8. The increased demand on the fund, due to rising layoffs, has caused the fund to shrink faster than expected. The number of new Delawareans drawing benefits has risen by 27% in the past two years. Advocates for the unemployed agree the taxes should be raised on employers to protect the fund, but not by cutting benefits, "adding to the burden of people out of work."

Business advocates argue that it's not necessary, because Delaware has "the most solvent" unemployment insurance programs in the country, State Rep. William Oberle (R) insisted. Tom MacPherson, director of the state's unemployment fund, agrees that the fund is solvent, but admits that the growing joblessness is stressing state benefit funds across the nation. "This is a national problem," he said, pointing to the fact that Texas has borrowed from the Federal government to rescue its fund and keep it solvent.

World Economic News

U.S. Dollar Going, Going....

The U.S. dollar dropped to a new four-year low against the euro, falling to \$1.15 per euro, the lowest since Jan. 27, 1999, in New York trading after the European Central Bank left interest rates unchanged at 2.5%, keeping yields higher in Europe than the United States. Over the past six weeks, the dollar has plunged by 9% against the euro, bringing its 12-month drop to 21% against the European currency.

Gold futures rose as much as \$8, to as high as \$350 per ounce, in trading on the New York Mercantile Exchange, closing at \$348.70 per ounce.

Japan spent 2.38 trillion yen (\$20.44 billion) on currency intervention in the January-March quarter, buying dollars and euros, according to data released on May 8.

According to a feature in the German economic daily *Handelsblatt*, written from Beijing, there are now preparations and moves all over Asia to lower the dependency on the dollar. About 80% of worldwide foreign-exchange reserves are held by Asian central banks, which are very much concerned about "the weak U.S. economy, Washington's aggressive foreign policy, and the ongoing corruption scandals" in the U.S. corporate sector and at Wall Street banks, *Handelsblatt* said. In September of last year, notes the article, several Asian governments set up task forces, in cooperation with European governments, to advise central banks how to diversify their foreign-exchange reserves and how to issue international bonds denominated in euros, not in dollars.

Mahendra Siregar, adviser to the Indonesian Finance Ministry, confirmed over Easter weekend that the country is considering introducing the euro as a currency for foreign trade: "Many institutions in Indonesia are studying this idea," Siregar said. The idea was first proposed in Indonesia by the state-run oil-and-gas producer, Pertamina.

According to Singapore's *Business Times*, the central bank of Indonesia has already quietly replaced 15% of its dollar-denominated foreign-exchange reserves—in total \$33 billion—with euros recently.

All these efforts, states *Handelsblatt*, obviously have a political background: Besides Japan and South Korea, all the other capitals in the region are quite unhappy about the rising American pressure, and one way to react to this problem is by reducing the dependency on the U.S. currency.

Dollar Dump Threatens Derivatives Contracts, Hedge Funds

The collapse of the dollar could blow out derivatives contracts and hedge funds, warned IMF chief economist Kenneth Rogoff, according to the *Washington Post* May 9. A sudden large drop in the dollar's value "might lay bare weaknesses in the financial system," by causing severe losses to major market players with derivatives portfolios and hedge funds, some of which rely on a stronger dollar, Rogoff warned in an interview with *Washington Post* columnist Paul Blustein.

EU Moots Trade Sanctions Against U.S. Goods

The European Union threatened to slap trade sanctions worth a record \$4 billion on U.S. goods, unless Congress moves by Sept. 30 to repeal the Foreign Sales Corporations provision, which gives tax breaks to large exporters such as Microsoft and Boeing. The warning on May 7 comes just days after the EU and U.S. pledged to work together to restart stalled global free-trade talks, and comes after the World Trade Organization approved a list of 1,800 U.S. products targetted by the EU, goods that could be hit with duties up to 100%. A WTO panel ruled in January 2002 that the FSC provision violated global trade rules; Washington agreed to comply with the ruling, but Congress has not begun debating the two proposals to revise the law.

EU Trade Commissioner Pascal Lamy said, "The Commission will review the situation in the autumn, and if there is no sign that compliance is on the way at that time, it would start the legislative procedure for the adoption of countermeasures by January 1, 2004."

The EU ultimatum likely reflects growing European anger at U.S. unilateralism, typified by its imperial occupation of Iraq.

Brazil Warned To Ram Through 'Reforms'—or No IMF Loan

As an IMF mission arrived in Brazil to evaluate whether to release the next tranche of the \$39-billion loan package, an editorial in London's *Financial Times* on May 6 warned the Brazilian political establishment that it had better not succumb to "euphoria," just because the government sold \$1 billion in debt last week. "Far-reaching reforms of the pension and tax system" have yet to be passed, the *FT* reminded them, specifying that trade unions and others will try to dilute the reforms, but the Lula government and Congress must ram them through.

The "carrot" being waved before the Lula government is the \$10-billion tranche of the IMF package, scheduled to be released in June, if the IMF approves the government's "performance" in getting these austerity reforms passed.

Hungry Children Steal Food in Israel

Ten Israeli children, ages 9 and younger, were arrested in Israel on charges of burglary, when caught by police stealing food from residences. They were discovered taking meat, fruit, and bread from a house to an abandoned home, where they were storing it. The children told police that they were hungry. The police commented that they see a direct link between these arrests and the current financial depression facing Israel.

United States News Digest

New Hampshire Paper Interviews State Rep Who Demands LaRouche's Inclusion

In addition to publishing the *Associated Press* wire on Lyndon LaRouche's leading position in the number of campaign contributions to a Democratic Presidential candidate in its May 3 issue, the *Manchester (N.H.) Union Leader* also has a short interview with Rep. Barbara Richardson (D-NH), who signed the Open Letter to the South Carolina Democratic Party asking that Lyndon LaRouche be included in their Presidential candidates' debate. In a section called "Quick Takes," the *Leader* reports:

"Rep. Barbara Hull Richardson is among the 37 Democrats from across the country who signed a letter asking that extremist Presidential candidate Lyndon LaRouche be allowed to participate in Saturday's South Carolina debate. Richardson, a McCarthy delegate to the 1968 Democratic convention, said, I just think it's only fair. He is controversial, for sure, but I just think he should be given an opportunity to air his views.' Richardson said she is 'leaning toward' backing [former Vermont Governor Howard] Dean in '04."

Viceroy Garner Stung by JINSA Link; Now Reports to Bremer

On May 2, Defense Secretary Donald Rumsfeld told *UPI*, "Jay Garner is doing a truly outstanding job for the nation.... Any suggestion to the contrary is flatly untrue and mischievous." But Rummy didn't comment if President George W. Bush was being "mischievous" when he announced, at an elaborate White House photo op on May 6, that he had just appointed L. Paul Bremer, a career State Department official, the civilian administrator of Iraq, with authority over Garner,

who had been the Chickenhawks' choice for "Viceroy" of Iraq.

On April 30, *Newsweek* magazine leaked that Bremer would be replacing Garner, triggering a week of rumors and counter-rumors that the Bremer appointment was a "victory" for Colin Powell, against the neo-conservative putschists—Cheney, Rumsfeld, and Paul Wolfowitz.

Whether Bremer is an opponent of the neo-cons' imperial policy cannot be known at this time. But the truth about the demotion of Garner is that he was stung badly by the exposure of his association with JINSA, the Jewish Institute for National Security Affairs, an organization whose leading figure, Stephen Bryen, has been investigated for passing classified defense secrets to Israel, and which has advocated treating Palestinian leaders, like President Yasser Arafat, to the Osama bin Laden treatment.

In 2000, Garner signed on to JINSA's letter of praise for the Israel Defense Forces' "restraint" in their murderous assaults on Palestinian civilians. *EIW* was the first to document "Viceroy" Garner's Israeli and neo-con connections—from praising the IDF, to profiteering off the contracts to supply Israel with the Arrow air defense. On April 26, Garner told the *New York Times* that he would not have signed the JINSA letter if he had it to "do over again."

Bremer, however, has his own worrisome connections to the neo-con warmongers. *EIW* summarizes his history here:

On April 2 at UCLA in Los Angeles, Bremer set the stage for Defense Policy Board "Chickenhawk" James Woolsey, and Straussian William Bennett—who was recently exposed as a multimillion-dollar gambling addict, fond of lecturing on "virtue." With both Woolsey and Bennett defending preemptive war, Bremer said of Islamic terrorists: "They hate us for the fundamentals of Western Civilization."

A brief biosketch by his employer Marsh McLennan Company (MMC) gives the following highlights:

*Ambassador Bremer was appointed in June 2002 to the President's Homeland Security Advisory Council, and at the same time he held the position of Chairman and CEO for Marsh, Inc. Crisis Consulting Practice.

*Before joining MMC in October 2000, Bremer had been Managing Director of Kissinger Associates, Inc., which he joined in 1989 after 23 years in civil service.

*In September 1999, apparently while still at Kissinger Associates, Brenner was appointed by House Speaker Dennis Hastert as chairman of the National Commission on Terrorism.

*In 1986, President Ronald Reagan appointed him Ambassador-at-Large for Counter Terrorism, after a tour as U.S. Ambassador to Norway.

*In 1981, Al Haig appointed him Executive Secretary of the State Department, and Special Assistant to the Secretary of State, and also to the State Department's 24-hour-a-day crisis management and emergency center.

In a *Denver Post* article of Feb. 7, 2003, Bremer is quoted as saying, "First-strike war proves a tough call....

"What 9/11 taught is: These guys [terrorists] want to kill so many of us that it is no longer politically acceptable to wait in response. We have to move from 'wait and respond' to 'detect and destroy.' You've got to destroy them.... The minute the threat is imminent, it's too late to do anything about it."

Bush Administration Escalates Hype on Iran's 'Nuclear Danger'

Beware of new "Chickenhawk" disinformation. During the same week that *New Yorker* investigative reporter Seymour Hersh exposed how intelligence operatives in the Defense Department's Office of Special Plans (see this week's INDEPTH article by Jeffrey Steinberg), the same intelligence networks in the Bush Administration are hyping a nuclear threat from Iran.

A front-page story in the May 8 *New York Times* presents the "round two" format for Iran as the biggest danger of nuclear weapons development, more so even than North Korea. Absolutely no new information is presented, but "Administration officials" have announced that a re-evaluation of the results of IAEA chief Mohamed El-Baradei's February tour of the recently constructed uranium enrichment plant at Natanz, indicates that Iran is doing terrible things—like enriching uranium. Never mind that this is legal, that the Iranians announced it openly, that they invited El-Baradei to inspect it, and El-Baradei reported that it was all within the prescribed rules of international agreements.

Writes Weisman: "But American officials say that a recent evaluation of what Dr. El-Baradei found in February, as well as other nations' intelligence, has convinced American and other experts that Natanz is so obviously a weapons facility that the International Atomic Energy Agency can be persuaded to act on it." Weisman also reports that "the Administration is pressing Russia, Western European nations, and others" to get El-Baradei to revise his story. Such Chickenhawk methods of persuasion are increasingly well known around the world.

As to the "other nations," it is not left to speculation: the U.S. official is quoted as saying that "'there's also a lot of hammering from the Israelis for us to take the problem seriously.'"

Tens of Thousands of Public Workers Protest U.S. Cuts

With the end of the fiscal year (June 30) now seven weeks away, elected officials, faced with multibillion-dollar deficits, are wielding the budget axe. City, state and county workers are taking to the streets in protest:

New York: 20,000-40,000 educators and citizens rallied at the state's capital in Albany on May 3 to demand more monies for schools. The state legislature restored much of Gov. Pataki's education cuts, but Pataki has threatened to veto their new budget. Even with the restored cuts deficits still abound in school districts.

In New York City, thousands of union workers rallied at City Hall to protest Mayor Michael Bloomberg's budget cuts axing 4,500 city workers. District Council 37, the city's largest municipal union, was joined by teachers, sanitation, and transport workers. Bloomberg didn't show. Instead, speaking uptown, he rebuked them and threatened "more job losses" unless unions make concessions on healthcare, pensions, and productivity demands.

Connecticut: The threatened closure of historical museums has caused protests where museum entrances were draped with funeral cloths. The Appropriations Committee has restored the cuts, but the full Legislature has not yet voted, and Gov. John Rowland said he'll veto any increases in spending.

Massachusetts: Hundreds of wheelchair-bound citizens rallied in Boston at the end of April to protest Gov. Mitt Romney's murderous health-care cuts. These citizens rely on personal care attendant (PCA) services for daily home help in order that they may work or otherwise be active despite their disabilities. Governor Romney is cutting the PCA program by 30%, which will result in closure of independent living centers, causing at least 200 people in Boston to be sent to nursing homes, and affecting another 8,000 statewide.

Indiana: Hundreds rallied at the statehouse to protest the Medicaid cuts.

Minnesota: Firefighters and citizens took to the streets of Minneapolis in mid-April when 55 firemen were laid off by Mayor Rybak after Gov. Pawlenty cut state aid to local government in an effort to close the state's deficit. "You feel like the city doesn't value your life. It's hurt the department's morale," remarked Capt. Josh Tjaden of the city's fire department. The impact is real; instead of four fighters to a truck—one on the pumps, one to guide the hose, one to control the spray nozzle, and one to scout and look for flash points or back drafts—the layoffs mean only three to a truck. The first 8-10 minutes are crucial in any blaze, since a fire doubles in size each minute it is unchecked; now only one firefighter will make the initial entry. "It's only a matter of time before someone gets killed," say firefighters.

Texas: In mid-April members of a disability rights group, ADAPT, camped out overnight in front of the Governor's mansion to protest the "immoral" budget cuts made to help reduce the \$9.9-billion deficit, which will "force many into nursing homes." ADAPT estimates that the cuts will affect 60,000-90,000 people.

South Carolina: Several thousand teachers rallied at the statehouse in mid-April to protest funding cuts to public schools. The South Carolina Education Association said the cuts would eliminate 6,600 teaching jobs and force increases in class size. The per-child spending will also be cut.

Hospital Inspection Agency Warns of Shutdown of D.C.'s Greater Southeast Hospital

Dennis O'Leary, the president of the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), the national organization that certifies the standards of hospitals, took the unusual step of sending a letter to Washington, D.C. Mayor Anthony Williams at the end of February, warning that Greater Southeast Community Hospital "is now in real jeopardy of having its accreditation denied." O'Leary, who spent two decades working in D.C. hospitals, said that Greater Southeast's role "became critical with the recent closure of D.C. General Hospital," and he urged the D.C. government to intervene to help restore the hospital's standards, so that the only remaining hospital in the eastern part of the District will not have to also shut down.

On May 6, City Administrator John Koskinen (a former official of the Federal Office of Management and Budget) was leading a delegation from Greater Southeast hospital to a JCAHO hearing in Chicago, where they were to plead to have Greater Southeast's accreditation restored. The most recent inspection of Greater Southeast found serious problems with blood transfusion, infection control, the clinical laboratory, and training and screening of workers and doctors. Greater Southeast, and its gangster-like owner, DCHC, went into bankruptcy last November.

U.S. Homeland Security Runs Phony 'Nuclear Terror' Attack

The U.S. government will conduct a \$16-million homeland security exercise from May 12-16. In the scenario, a radioactive "dirty bomb" hits Seattle, and Chicago hospitals are crowded with patients showing mysterious flu-like symptoms. Washington officials will scramble to respond. The exercise involves a fictitious television station, and a fictitious terrorist group. Some 8,500 Federal, state and local officials will participate; only President Bush and his staff will be represented by stand-ins. The Canadian government will be involved; they will try to address cross-border issues raised by the Chicago epidemic.

Newspaper ads will appear over the weekend, telling people what to expect.

Bush's Fourth Economic Adviser Quit as Insider Trading Charge Surfaced

White House Budget Director Mitch Daniels announced his resignation on May 6, the fourth economic adviser to leave the Bush Administration. All of Bush's original economic advisers have now left his Administration. Daniels, the head of the Office of Management and Budget, notified Bush in a letter "that he will be leaving the White House in 30 days," White House spokesman Ari Fleischer told reporters. No reason was given for Daniels' resignation, although he may run for Governor of Indiana in 2004, Administration officials said.

While Daniels was disliked for having stonewalled during testimony to Congress, there also may be a scandal behind the resignation. Daniels was subpoenaed May 2 for alleged stock dumping and insider trading, reported *Associated Press*, four days before he resigned as OMB chief. Indiana securities investigators have asked Daniels, along with 30 former executives of IPALCO Enterprises, to provide information about their stock sales prior to AES Corp.'s acquisition of the utility in March 2001. A separate shareholder lawsuit alleges securities violations. Daniels sold 60,000 shares of IPALCO stock in January 2001 (when he joined the Bush Administration); then AES shares plummeted after the merger closed, reaping more than \$550,000.

Cheney's Halliburton Scandal Grows

As *EIW* reported months ago, the firm that pays Vice President Dick Cheney \$1 million a year, is profiting from the Iraq war that Cheney pushed. Halliburton's subsidiary KBR was not only authorized to put out oil well fires in Iraq and to do related repairs, but was authorized to operate Iraq's oil facilities and even to distribute and sell the oil. This heretofore hidden element of the sole-source (no-bid) contract awarded by the Bush Administration to Halliburton was disclosed in a letter from the Army Corps of Engineers to Rep. Henry Waxman (D-Calif.).

"I find it inexplicably difficult to get a straight story," Waxman said, noting that the Army Corps is releasing information in "drips and drabs." Waxman charged that this "stands in contrast to the Administration claims that Iraq resources will be controlled by Iraq, that we're not there to run the Iraq oil industry."

The value of the no-bid Halliburton/KBR contract has now risen to \$76.7 billion, with the expanded role of restarting the oil industry accounting for an additional \$24 billion.

Evangelicals' President Demands End to 'Demonizing' Islam

In an unmistakable swipe at the Christian supporters of the neo-conservatives' war against Islam, the president of the National Association of Evangelicals and other Evangelical leaders call for an end to demonizing Islam. The Rev. Tim Haggard, who is President of the NAE, brought together a nucleus of 40 pastors from this far-ranging organization who were concerned that the remarks made by "Elmer Gantry" Televangelists for raising big bucks from their domestic constituency, would inflame Muslim governments, spark riots that have already led to deaths, and endanger Christian aid workers and make missionary efforts harder.

Cited in particular for these inflammatory remarks were: the Rev. Franklin Graham, who in November 2001 called Islam "a very evil and wicked religion"; "Blood Diamond" Pat Robertson, who said in February 2002 that Islam "is not a peaceful religion that wants to co-exist," and that the Prophet Mohammed was "an absolute wild-eyed fanatic, a robber and brigand"; and the Rev. Jerry Falwell, who said in October 2002 that Mohammed was "a terrorist."

The Rev. Haggard had invited Graham, but the latter said that he would prefer to help his father preach a "revival" in San Diego. Haggard said that he would invite Graham, Falwell, and Robertson, as well as other Televangelists and leaders of mega-churches within six months, to refine a set of proposed guidelines on Christian-Muslim dialogue.

Covering the same event, the May 8 *Washington Times* (owned by the Moonies) highlighted a poll conducted by Beliefnet and the Washington-based EPPC, which showed that a sampling of Evangelicals and Televangelists showed 79% do not believe that Christians and Muslims worship the same God, and just 10% agreed that (in President Bush's words) Islam is fundamentally a "religion of peace."

Ibero-American News Digest

Rebuffed by Washington, Mexico Looks South

In a radio interview on the 5th of May—one of Mexico's most patriotic holidays, marking the 1862 defeat of Napoleon III's invasion forces at Puebla—President Vicente Fox said that no meeting was foreseen this year between himself and President Bush, but he is looking forward with great interest to the summit meeting of the Rio Group (in which most of the Ibero-American nations are represented), which meets in Peru at the end of May, because Mexico is very interested in integrating more with South America.

This is a time to discuss and share ideas with the Ibero-American nations, he said, adding that he was especially interested in improving relations with leaders such as Brazil's Lula da Silva.

Not that Fox has altogether given up on striking some deal with Bush. Mexican Foreign Minister Luis Ernesto Derbez arrived in Washington on May 7 for two days of meetings with Colin Powell, Condoleezza Rice, Robert Zoellick, and several members of Congress. Fox is reportedly trying to line up a private meeting with President Bush during the June meeting of the Group of Eight in France, but so far, the meeting has not been confirmed, as Bush continues to make Fox "pay" for not going along with his Iraq war. Even worse, from Bush's standpoint, is the fact that Fox was invited to attend by France's Jacques Chirac. (The Group of Eight does not include Mexico; it consists of the U.S., Britain, Canada, Italy, Japan, Germany, France, and Russia.)

Washington Denies Colombia Military Aid in Anti-Drug Fight

Colombian President Alvaro Uribe Velez sought aid for a real war on terrorism from President Bush during his recent Washington visit, and came away nearly empty-handed. Uribe was in Washington April 29-May 3 for a round of meetings which included meetings with President Bush and Chickenhawks Vice President Dick Cheney and Deputy Defense Secretary Paul Wolfowitz. He also spoke with 25 U.S. Congressmen in the course of a day's meetings on Capitol Hill. Uribe had three main requests: that the United States provide Colombia with some of the military equipment used in the Iraq war which he assumes is no longer needed there (he reportedly specified aerial intelligence equipment, in particular); that the U.S.-Colombian aerial interdiction program be reopened; and that the two countries strike a bilateral free-trade accord.

The aerial interdiction program will be re-established, it was announced; in the past, when the U.S. provided real-time radar intelligence for the Colombian and Peruvian Air Forces to act upon under this program, it was very successful in driving narco-planes out of Andean skies. The program had been shut down two years ago.

But that's all Uribe got. He was turned down, rather vehemently, on any bilateral trade deal, and told instead to "take leadership" in the negotiations for the Free Trade Accord of the Americas (FTAA). (State Department Andean Affairs desk chief Phil Chicola, a real FARC-lover, derided the Colombian request on the grounds that the Colombian economy is still far too "closed," and must end protection on its agriculture, etc.) As for the request for the badly needed military equipment, Wolfowitz said that President Bush had directed the Pentagon to look into it, and so it will be "studied." No assistance for Colombia's collapsing physical economy—the most urgent assistance required for Colombia to defeat the

narcoterrorists—was discussed by either side.

FARC Atrocity Aims To Convince Colombians 'You Can't Win'

Colombia's narcoterrorist FARC made the cold-blooded decision to execute 13 hostages and dump their bodies in a shallow grave on May 5, after being alerted that soldiers were moving into the area where their jungle camp was located. While three of the victims managed to survive, among those who did not were Guillermo Gaviria, the Governor of Antioquia Province, and his adviser, former Defense Minister Gilberto Echeverri. Gaviria and Echeverri were kidnapped in April 2002, but some of the other hostages—all of them soldiers—had been held captive under near-starvation conditions for more than five years.

The FARC's actions since President Uribe took office, have been aimed at breaking his government's commitment to crush the narcoterrorists. In the aftermath of this most recent atrocity, a heated debate has surfaced inside Colombia over whether or not the government should abandon its military war against terrorism in favor of renewed peace talks with the FARC, beginning with a negotiated "prisoner exchange," which would release hundreds of imprisoned FARC killers back onto the streets, and into the jungles. So far, Uribe has stood fast against the pressure, insisting that his government has the "constitutional and legal obligation" to rescue kidnap victims where possible, and that he will not yield to FARC blackmail.

Conflicts Possible Over Cross-Border Narcoterrorism

Colombian President Uribe charged Venezuela with providing refuge to narcoterrorists, when he met with his counterpart Hugo Chavez in Caracas April 24. He presented the Venezuelan head of state with a dossier—prepared by Colombian military and intelligence services—proving that there are at least 16 permanent encampments maintained by the FARC/ELN/EPL narcoterrorists inside Venezuelan territory along 410 kilometers of the countries' shared border. The encampments, maintained by six FARC fronts of up to 1,700 terrorists, reportedly serve the same purpose that the so-called "demilitarized zone" inside Colombia did during the years of the earlier Pastrana Administration: as a refuge for terrorists fleeing Colombian military pursuit, and as a staging area for terrorist actions into Colombia.

In public statements that same week, Colombian Attorney General Luis Camilo Osorio insisted that Venezuela has become a refuge for "Colombian criminals" seeking to topple Uribe's government. The dossier was first presented privately to Chavez, who reportedly insisted that only economic matters between the two countries be treated publicly. The dossier immediately thereafter was leaked to the Caracas daily *El Universal*, which published it at the end of April.

The dossier's release occurred at a moment of heightened tension between the two countries, over recent Colombian military charges that Venezuela's Air Force has deployed in bombing runs into Colombian territory *to support FARC terrorists battling paramilitary forces!* President Uribe has been scrupulous in not permitting Colombia's Army to pursue terrorists across the border into Venezuela, but combat has occurred between the Colombian paramilitary forces and the FARC in these cross-border "no-man's-lands."

U.S. State Department: No al-Qaeda Presence in Latin America

"At year's end, there was no confirmed, credible information of an established al-Qaeda presence in Latin America." This is the conclusion drawn by the State Department, in its "Overview of Terrorism in the Western Hemisphere," included in its "Patterns of Global Terrorism 2002" report, released April 30. Such statements must be distressing to Donald Rumsfeld, who is demanding the creation of a supranational military force to raid what he calls the "ungoverned areas" of Ibero-America, one of which is the tri-border region of Argentina, Brazil, and Paraguay. The overview does say that nations of

the region are concerned about "terrorist fundraising," and suspect the presence of Hamas and Hezbollah in the tri-border region, and that the three nations plus the U.S. have set up a "Three Plus One" counterterrorism consultative and cooperation mechanism "to analyze and combat any terrorist-related threats in the Triborder [region]."

Brazil's Foreign Minister in Africa To Promote Trade

Brazil's Foreign Minister Celso Amorim is in Africa as part of the Lula da Silva government's initiative to increase trade and diplomatic relations with several African nations. The plan is to open up the Brazilian market to products from the six countries Amorim is visiting, as well as to look into the possibility of increasing Brazilian investments in the region. President Lula da Silva has said he wants to make "South-South cooperation" a priority of his government. Amorim began his trip in Mozambique on May 1, and plans to visit Zimbabwe, Sao Tome & Principe, Angola, South Africa, and Namibia, meeting at the level of Foreign Minister or President in each location. In August, Lula plans to visit the region himself.

Multilateral issues will be on the agenda during Amorim's tour, including reforming the UN Security Council, cooperating in educational and social programs, and in the campaign against AIDS—Brazil is particularly well equipped to assist in this latter area, because of its production of generic anti-AIDS drugs. In Mozambique and South Africa, Amorim wants to discuss coal exploration, and the construction of a railroad and a new port, issues of particular interest to Brazil's Companhia Vale do Rio Doce. In Angola, Brazil is prepared to assist in expanding the country's educational system, ranging from constructing the physical plant to training teachers. In Sao Tome & Principe, Amorim will take up that government's request to aid in creating a regulatory framework for the oil industry.

Brazil wants to talk to the South Africans about using their logistical infrastructure to sell Brazilian products in neighboring countries, and in the Persian Gulf region. In Namibia, naval cooperation, and the elaboration of a security program for the South Atlantic region, are the main topics of discussion.

The Fly in Lula's Ointment: Sticking to the IMF Game

Brazilian President Lula da Silva personally went to the Congress on April 30, to present the bills implementing the IMF-dictated pension and tax "reforms," and insist they be passed, reported *Folha de Sao Paulo* May 1. He brought along 22 of his 34 Cabinet ministers, all the 27 governors, 10 mayors of state capitals, and 38 of the 83 members of the Economic and Social Development Council.

The idea was to maximize pressure on a reluctant Congress to accept the Lula government's argument that Brazil has no choice but to keep playing by the rules of the Wall Street/IMF game. Things didn't quite go as planned, however. Lula received praise from the Senate President Jose Sarney for his government's handling of the reforms, but the President of the Chamber of Deputies, Joao Paulo Cunha, of Lula's Workers Party (PT), promised nothing. Cunha reiterated that Congress is divided over the reforms, and their passage could face difficulties. When state governors discovered that the tax reform they were supposed to be cheering on, contains a provision which they hadn't seen before, and which they opposed, a number of them began to protest. The leading opposition party, the PLF, announced that it will present its own version of the pension/social-security reform next week.

Brazil To Build Angra 3 Nuclear Plant

Brazil's government has decided to go ahead with the construction of Angra 3, the last of the nuclear plants planned since the 1960s, according to *Folha de Sao Paulo* May 5. Angra 3 is partially constructed, but has been stalled for years by the environmental mafia and the IMF's budget cuts.

Brazil's Science and Technology Minister, Roberto Amaral, is certainly championing the completion of the plant. "I defend Angra 3. Not only for the importance of the plant as a [power] generator, but for the multiplying effect of the nuclear program. It is not only physics research. To have a nuclear project, you develop engineering, biology, chemistry, and the whole gamut of sciences, which has a multiplier effect on society," he argues.

The president of Electrobras, the state electricity company under which the nuclear plants function, Luiz Pinguelli Rosa, argues the Wall Street line, however. The Angra 3 project is live, he says, but it is necessary to straighten out the nuclear division's finances, because it is operating in the red.

Severe Flooding in Argentina's Santa Fe Province Leaves Many Dead; 100,000 Evacuated

Devastating floods in Argentina's Santa Fe province have caused an unknown number of deaths, and led to the evacuation of close to 100,000 people. One official from the provincial government of Entre Rios estimated the death toll at close to 1,000, although the governor of the province would not confirm that figure. The flood was caused by the unexpected overflow of the Salado River, a situation which could have been remedied by investment in infrastructure—but IMF policy doesn't permit this.

Half of the city of Santa Fe is flooded, and at least 50 towns in the north-central part of the province are also affected. One-third of the province's territory—133,007 square kilometers—*is under water*, and damage to farming and livestock activities in this key agricultural province is estimated to be in the hundreds of millions of dollars. Half the city is without electricity, and schools and universities are closed. Fear of looting is widespread. Even though, the water level has begun to drop, the situation remains dangerous. The bridge over the Salado River, to the city's north, is in danger of collapsing—it collapsed once before in 1973, during a far less severe flood. *EIR's* bureau in Buenos Aires describes the situation as "catastrophic."

Russia and Central Asia News Digest

LaRouche Gives 'Strategic Planner's' View in Russian Online Interview

The Russian online periodical *Polyarnaya Zvezda* ("The Pole Star") on May 8 posted an interview with U.S. Democratic Party Presidential pre-candidate Lyndon LaRouche, who answered written questions from its editors on April 23. *Polyarnaya Zvezda* is publishing responses to the same six questions—they deal with the motivation, opposition to and consequences of the U.S.-led attack on Iraq—from Russian analysts, as well as a handful of anti-war U.S. academics.

LaRouche gave *Polyarnaya Zvezda* a hard-hitting account of "the real reasons for the actions of the current U.S. Administration," as a function of the "ongoing coup d'etat" led by fanatical followers of the late fascist Prof. Leo Strauss and synarchist Alexandre Kojève.

To a question about how the world will change after the Iraq war, LaRouche replied, "In a crisis situation of the epoch-making characteristics of this one, I warn against any seeping predictions. I react as a strategic planner. What policies should be adopted? How should we fight to bring those alternatives into being?" In his extended answer, LaRouche then developed the principles and policies, necessary "to get the passengers safely off the unsinkable, but sinking ship Titanic," which are otherwise presented in his April 28 paper, "A World of Sovereign Nation-States."

Within the interview, *Polyarnaya Zvezda* provides links to the *Children of Satan* pamphlet on www.larouchein2004.com, as well as to the Russian translation of LaRouche's 2000 paper, "On a Basket of Hard Commodities: Trade Without

Currency." Alongside the interview text is a picture of LaRouche speaking, and additional links to the Russian-language section of *EIR's* web site (www.larouchepub.com/russian) and to Andrei Kobayakov's 2001 article on LaRouche, "A Man Who Is a Titan," in *Russky Predprinimatel* ("Russian Entrepreneur").

Polyarnaya Zvezda is produced in the Ural Mountain city of Yekaterinburg, by a group of intellectuals who have studied the writings of Lyndon LaRouche, as well as articles published by his late associate Prof. Taras Muranivsky, for many years.

Conference in Khabarovsk on Asia-Pacific Development

An international symposium on "The Far East and Asia-Pacific Region" opened May 6 in Khabarovsk, in Russia's Far East, *RIA-Novosti* reported. The conference is sponsored by the Khabarovsk regional government and the Russian Academy of Sciences, and is chaired by Viktor Ishayev, head of the Russian National Committee for Pacific Economic cooperation.

The conference will discuss development policy under globalization; integration of the Asia-Pacific region; Russia's strategic development in this decade; energy cooperation in Northeast Asia; and economic cooperation between eastern Russia and Northeast China; and development of transportation corridors in East Asia.

Scientists from Russia, China, Japan, the Republic of Korea, the United States, and other countries have applied for participation.

Transport Ministry Pursues Freight Increases

The Russian government wants to increase cargo traffic between Southeast Asia and Europe through Russia, but has to improve its transport infrastructure, Deputy Transportation Minister Chingiz Izmailov announced May 5. Russia wants to be able to compete with longer routes that circumvent its territory, the *Moscow Times* reported, but this will cost millions of dollars in investment.

Moscow proposes setting up a consortium of the shipping companies—of Russia, Iran, and Germany—which use the International North-South Transport Corridor (INSTC) to help with needed investments. The trans-Russian route could be faster and cheaper than the now-dominant route to Europe via the Suez Canal. Transportation Minister Sergei Frank said that North-South transit could be worth tens of billions of dollars to Russia in a few years, but this is hindered by the lack of railroad, highway and river infrastructure between the Caspian Sea and St. Petersburg.

Izmailov said that seven million tons of goods were shipped through Russia along the INSTC last year, and eight million tons could be shipped this year, "depending on the development of the route." He proposed that Iran's state-owned cargo fleet participate, along with the St. Petersburg Port, Olya Port, near Astrakhan on the Caspian, and the Free Port of Hamburg in Germany. The consortium proposal "has been given a high rating" by Iranian President Mohammad Khatami and President Vladimir Putin.

Last year, three nations—Russia, Iran, and India—set up a coordination council for the INSTC. Belarus and Kazakhstan have joined, and Armenia, Azerbaijan, Tajikistan, Bulgaria, Oman and Syria may also join, Izmailov said.

Saudi Crown Prince Will Visit Moscow

Crown Prince Abdullah will visit Russia this summer, the Foreign Ministers of Russia and Saudi Arabia announced May 8 at a joint press conference, following discussions which Foreign Minister Ivan Ivanov described as a "very constructive and substantive dialogue." The meeting at the level of foreign ministers appears to have advanced Russian-Saudi relations on several fronts. Ivanov said Russia is "profoundly satisfied with the level of relations between Russia and Saudi Arabia." Saudi Foreign Minister al-Faisal was equally warm, stressing the Kingdom's interest in strengthening and developing bilateral relations with Russia. Both mentioned the central importance of resolving the Middle East crisis, and the implementation of the road map for Israeli-Palestinian peace. Al Faisal emphasized that Russia and his nation shared "common principles" vis-à-vis the Iraqi problem, most particularly "our common striving to preserve the sovereignty, territorial integrity, and independence of Iraq."

The press conference closed with the intriguing response given by al-Faisal, to a question on whether the discussion of stepped-up relations between the two countries also had a military aspect, now that U.S. troops have been evacuated from Saudi Arabia? "So far, I am not quite prepared to comment on this question, but if Mr. Minister has some forces that he would like to give to us, we would not object," al-Faisal replied, adding: "Russia's role in solving the problems of our region is important and desirable and necessary." No subject, he concluded, is ruled out at further negotiations and meetings.

The exact date of the Crown Prince's visit is to be worked out through diplomatic channels.

Russia-Ukraine Talks Take Up Natural Gas Supplies

The June 2002 initiative to ensure long-term supplies of Russian natural gas to Europe via Ukraine was on the agenda of talks between Presidents Vladimir Putin of Russia and Leonid Kuchma of Ukraine, in Yalta on May 1-2. As Putin said at a May 2 press conference there, the time is ripe for a "comprehensive Russian-European infrastructural cooperation, including Ukraine as an indispensable link" that handled 80% of all natural gas exports from Russia to Europe. "The trilateral gas consortium will start functioning as soon as the three sides are ready," Putin said. "The first round of trilateral talks will take place in Kiev already on May 7," to be followed by a second Kiev meeting towards the end of May.

"First of all, we [Russia, Germany and Ukraine] are to calculate the expenses for modernization of Ukraine's gas transit grid," Putin said. "If we succeed in gas transport, we'll complete the trilateral cooperation with oil and electricity transit across Ukraine."

Essential aspects of the strategic gas consortium could, if things work well, be ready at the time of the EU-Russia summit in St. Petersburg May 30-31, experts say. The consortium would have to answer where the \$15 billion will come from, required to restore and modernize the Ukraine's gas pipeline grid over the next ten years. When the tripartite agreement was signed in principle last June, German firms such as Ruhrgas hinted they might commit \$2.5 billion to such a deal. In addition to basic repair of existing, older pipelines and pumping stations, what is urgently required is to increase the transfer capacity through larger pipe diameters, experts have pointed out.

Powell To Visit Russia After Mideast Trip

U.S. Secretary of State Colin Powell will travel to Russia towards the end of his May 9-16 tour of the Middle East and some European countries, the State Department announced May 4. In Russia, Powell will work on preparations for President Bush's trip there on the occasion of St. Petersburg's 300th anniversary at the end of May. Talks in Russia will include the latest U.S.-Russian arms treaty, which is to be ratified by the Russian legislature before the St. Petersburg celebration.

Russia and U.S. To Launch Joint Program for Mars Exploration

While NASA Administrator Sean O'Keefe was in Moscow to welcome back the space station Expedition 6 crew, which returned to Earth on May 3 in a Russian Soyuz spacecraft, he met with Russian Space Agency head Yuri Koptev, and, according to a spokesman from Rosaviakosmos, speaking to *Interfax*, the agency heads agreed to "begin joint exploration of Mars," using unmanned vehicles. "In addition, it was decided that Russia can take part in U.S. space tenders," Sergei Gorbunov stated.

This is an important concession by the Bush Administration, because for years, Russian space organizations have been under trade sanctions by the U.S. for supposedly exporting missile technology, violating nonproliferation rules. In addition, recently the U.S. has refused to exempt the Russian space agency from the prohibition of receiving funds from NASA under the Iran Nonproliferation Act. The money is needed to help pay for additional Russian vehicles to maintain the crew on the International Space Station while the Shuttle is grounded.

Russian and U.S. scientists began working on a joint Mars mission ten years ago, but in addition to the political roadblocks from the U.S. side, Russia was unable to finance its part of the project.

Mideast News Digest

U.S. Occupation Force in Iraq Is a Disaster; Purges Underway

This week's [USA DIGEST](#) reports the beginning of major changes underway in the U.S. imperial plan to occupy Iraq. The deployment of "Viceroy" Lt. Gen. Jay Garner, a hand-picked collaborator of the right-wing Israeli networks in the Pentagon around Undersecretary of Defense for Policy Doug Feith, has been a failure, and Garner has been downgraded from his position as supreme authority in the occupation of Iraq. On May 10, it was reported that Michael Mobbs, another crony of Feith (a second-generation Jabotinskyite, who is often referred to as the Pentagon's resident Likud leader), has been recalled from Iraq. Mobbs, an attorney who served in Feith's law firm, wrote the U.S. government legal position for holding American citizens under arrest as "enemy combatants," denying them Constitutional rights.

Exiled Shi'ite Leader Hakim Returns to Iraq

The leader of the Supreme Council for the Islamic Revolution of Iraq (SCIRI), Ayatollah Mohammed Baqr al-Hakim, entered Iraq on May 10, and was greeted by thousands of supporters. Hakim was in exile in Iran for 23 years. The SCIRI is the biggest Iraqi Shi'ite group. Hakim will travel to Najaf, the seat of the Shi'a clergy.

Hakim's younger brother, Abdulaziz Hakim, is already in Iraq, and has been representing SCIRI in talks for a new government. Ayatollah Hakim has said he favors a democratically elected government, and does not propose an Iranian-style Islamic republic. He is known to consider religion and politics as one, whereas Shi'ite leader al-Sistani, based in Najaf, as well as former Ayatollah Kho'i (whose son was recently killed as a collaborator), saw a separation between religion and politics. Despite theological differences among these groups, they are united politically, now.

Regional sources confirmed to *EIR*, that none of the important Shi'ite groups will try to introduce an Islamic government of the Iranian type. Nor do political forces inside Iran itself, propose this for Iraq.

British, Israeli Intel Okayed Entry of Tel Aviv Terrorists

Since the 1970s, Ariel Sharon and the pro-fascist Jabotinskyites in Israel have used "countergang" terrorism to justify political moves to **destroy** any possibility of peace. In some cases, as in the documented case of Israeli intelligence creating a phony al-Qaeda in the Gaza Strip, the Israelis arm and deploy terrorists directly. In other cases, the security screen is lowered, so that an incident which could be easily stopped, can occur.

On April 30, one day after the historic naming of Palestinian Prime Minister Abu Mazen, exactly such an incident took place, when two British nationals of Pakistani extraction who had been cleared for entry into Israel by the domestic intelligence service Shin Beth (aka Shabak), bombed a jazz club in Tel Aviv. Both allegedly wore suicide vests. Asif Mohammed Hanif killed himself and three Israelis, while his companion, Omar Khan Sharif, escaped when his explosives-packed vest malfunctioned. Both were known to British intelligence, MI5 as hard-line members of the al-Muhajiron, group, reported the London *Telegraph*, but they were not put under surveillance. The *Telegraph* stated: "It is not known whether their movements were tracked as they made a series of trips, or whether their identities were passed to intelligence agencies in Israel or America."

The story that MI5 thought they were not dangerous is further exposed as a fairy tale, by the fact that on May 3, British police arrested six family members or friends close to Sharif, for plotting terrorism.

The massive intelligence failure of the Shabak is even more suspicious. According to the Israeli newspaper *Ha'aretz* last week, Israeli Defense Minister Shaul Mofaz told the press that the two terrorists entered Israel via Jordan, crossing the Allenby Bridge from Jordan into the West Bank, and then into Israel. This crossing, as with all crossings, is controlled by the Israeli authorities.

The bomber, Asif Mohammed Hanif, who died in the suicide attack, was born in Bhowanj, Pakistan, a fact clearly stated in his passport, a picture of which was published in the British media. *Ha'aretz* reports that all Pakistanis and Sudanese, who are considered coming from "enemy states," are forbidden entry into Israel, which is obviously known to all border police.

Ha'aretz's journalist says that he would have published the report that Shabak had given the police the okay to let them in, but was unable to because of a gag order against publishing anything other than government statements.

The second terrorist, who escaped when his bomb failed to detonate, has yet to be found—rather surprising for someone who supposedly was carrying out his first terrorist attack. An Israeli journalist told *EIR* that the suspect was most likely being held by the police, but the fact is not to be released because of the ongoing investigation, or cover-up.

Britain has long been a haven for Islamist terrorists—which Israel and some eight other nations have protested. The British government insists that they are merely respecting "human rights" by allowing political individuals accused of terrorism in various countries to avoid persecution from "repressive regimes" that may be accusing them of crimes. One source close to Ariel Sharon, journalist/spook Uri Dan, says that relations between Britain and Israel have "chilled" since this incident.

IDF Raids Offices of Peace Group; Arrests Leaders

After the Israel Defense Forces killed two peace volunteers for the International Solidarity Movement, and shot at least one other, the IDF raided the offices of the organization, and arrested two of its leaders—one American and the other Australian—and also seized six computers and numerous documents. The ISM is a pacifist organization whose volunteer members, many of whom are Jewish Americans, act as "human shields," putting themselves between the Israeli Army and Palestinian civilians, trying to warn the IDF that the Palestinians are civilians, and unarmed. Rachel Corrie, the American woman who was deliberately killed by the Israeli military on March 16, was a member. International human-rights organizations denounced the raid, which was conducted as if the ISM were a terrorist organization.

The military surrounded the office, in the West Bank village of Beit Sahour, with 22 Jeeps filled with soldiers, and arrested Christine Razowsky of Chicago, and Miranda Sissons of Australia.

It is a wonder that those arrested were citizens of the "coalition" countries that "liberated Iraq," yet neither country's government has said or done anything to protest attacks on their citizens by a government that acts like a rogue state, and even has weapons of mass destruction that threaten its immediate neighbors.

Jordan Ridicules 'Jordan is Palestine' Campaign by Israeli Rightwing

Jordan's Minister of State for Foreign Affairs Shaher Bak has dismissed as "ridiculous" efforts by Benny Elon, Israel's ultra-rightwing Minister of Tourism, to block the creation of a Palestinian state west of the River Jordan. Bak told *Al Rai*, an Arabic daily, that Elon's plan "is ridiculous ... and does not reflect the position of the Israeli government."

Elon began a visit to the United States to lobby against peace negotiations and a Palestinian state. A full analysis and details of the U.S. networks that sponsored his trip appear in this week's INDEPTH. Elon favors a vast, internationally financed plan to move the estimated 1.5 million Palestinians in the West Bank and Gaza Strip to Arab states, such as Jordan, and also provide the option for Israel's 1.1 million Arab citizens to leave. It is an Israeli version of "ethnic cleansing."

But Bak said Elon's plans were merely "ink on paper," that would fail to get the support of the U.S. Administration, adding that it was aimed at "putting obstacles to implementing the road map or finding any solution to the Palestinian cause." Elon is a political ally of Israeli Prime Minister Ariel Sharon and heads the right-wing Moledet Party faction in the Israeli Knesset. Sharon uses Elon to float policies that he supports, but cannot voice for fear of a U.S. government backlash.

Pentagon Neo-Cons Use Iraqi Embezzler Chalabi To Threaten Jordan

Ahmed Al-Chalabi, the Iraqi emigré who returned to Iraq after an exile of four decades to be installed as the Pentagon- and Israel-lobby-backed ruler of Baghdad, has launched a campaign of threats and blackmail against Jordan's King Abdullah and Jordan as a whole, with the backing of the U.S. Department of Defense leadership, steered by the cabal of Straussian warmongers led by Paul Wolfowitz.

Simultaneous to the deployment of Israeli fascist Benny Elon to Washington to declare "Jordan is Palestine," Chalabi, who was convicted in Jordan of embezzling millions of dollars from the bank he owned in the 1980s, made statements published in *Newsweek* on May 5, and the *New York Times* on May 6, that he has gotten hold of "25 tons" or "60 tons" (in two different versions) of Iraqi secret police records which are quite damaging to King Abdullah and other Arab leaders. Recently, top Jordanian officials branded Chalabi a "charlatan," and refused to absolve him of his crimes.

Chalabi's claim to have "damaging" documents of activities during the regime of Saddam Hussein, seems to be a concerted effort to achieve two objectives: destabilize Jordan and overthrow the king in a new "regime change"; and break Iraq's relationship to its Arab and Muslim neighbors, allowing it to become a launching pad for destabilization of other regimes in the region.

Laith Shubeilat, former Jordanian Member of Parliament, wrote an open letter last week warning that some ministers in the government were putting pressure on King Abdullah to sign a royal decree clearing Chalabi and former Jordanian Intelligence Chief Samih Al-Battikhi of charges of their involvement in two separate cases of financial fraud and looting of Jordanian banks. Shubeilat charged that the faction of the "Jordan first" agents inside Jordan are putting this pressure on King Abdullah, which would lead to an acknowledgement of the Chalabi takeover in Iraq. The King rejected this proposal

and ridiculed the choice of Chalabi as the future leader of Iraq. Jordanian Foreign Minister Marwan Muasher made a similar statement last week.

For many observers, Chalabi seems to be a "dead man walking," with his presence in Iraq triggering popular riots against him, and refusals of major Iraqi political organizations to sit down at leadership discussions with him.

Chalabi's boasts about his "tons of documents" from Iraqi secret police were covered on May 5 by *Newsweek* under the title "Banker, Schmoozer, Spy." He told *Newsweek* that he and his brothers have been the victims of many conspiracies by Saddam and by Jordan's late King Hussein. On May 6, the *New York Times* also aired Chalabi's claims and threats. Chalabi has been inside the Wolfowitz circle for about 30 years, since he was trained by Wolfowitz's mentor, Albert Wohlstetter.

A Country Without a Government; an Oil Minister Without Oil

Occupied Iraq does not have a government but it has an "Oil Minister"—Thamer Abbas Ghadban—reported the *Washington Post* on May 6. But Ghadban will not say just who appointed him. Ghadban was apparently working in Iraq's state-owned oil industry at the time of the invasion, and will be advised by a committee headed by Philip Carroll, a former head of Royal Dutch Shell in the United States.

"Our target is to go up to 1.5 million barrels a day within weeks," said Ghadban. "That level," says the *Post*, "would produce surplus for export—something Iraq cannot do until United Nations sanctions are lifted and a new Iraqi government is in place, allowing oil to be sold with a clear title."

However, well-placed sources in the Persian Gulf have told *EIR* that the extent of the oil-industry disaster is being covered up, because it would further prove that the "victory" in Iraq has been a humanitarian nightmare for the Iraqi people, and a financial "black hole" for the United States. Under the utopian plans drawn up by the likes of Vice President Dick Cheney, and the Wolfowitz cabal, the super-production of Iraqi oil was to have paid for the entire war. Instead, say *EIR's* sources, the oil production is at only 20% of pre-war levels, and the population is so destitute that the U.S. military is siphoning off its own supplies of cooking fuel and gasoline to Iraqis in the hope of stopping more riots from breaking out, and in an attempt to get Iraqis to go to work.

Mitzna Quit Labor Chairmanship To Change Israeli Politics

Israeli Labor Party chairman Amram Mitzna resigned his post last week, in order to keep his promise—that he would "change Israeli politics and move to peace," according to one of his close associates. Mitzna, the popular former Mayor of Haifa, but an "outsider" to Labor's ruling clique, had won a landslide 65% in the Labor Party primary election in November 2002 against strong opposition from Benjamin Ben-Eliezer, who has served as the Defense Minister for Ariel Sharon's bloody assault on the Palestinians.

A Mitzna supporter told *EIR*, "I was disappointed and even angry when I first heard Mitzna had resigned, but after speaking with him and others, it became clear that it was the only honest action to take." The source reported that Mitzna said the senior leadership, who control the Labor Party machinery, worked against him, despite the fact that he had the support of 65% of the party base. The major battle, from November 2002 to January 2003, according to this source, was the insistence of former Labor Prime Minister Shimon Peres and Ben-Eliezer that Labor offer a "unity coalition" with Sharon, thereby providing his government a fig leaf to cover up the continuing policy of murder and expulsion of Palestinians.

Asia News Digest

Indonesia Plays 'Debtor Hardball'; Will End IMF Program

Indonesia has officially announced that it will dump the IMF program at the end of this year, the *Jakarta Post* reported May 6. The People's Consultative Assembly (MPR) passed a resolution earlier recommending the move, and a raging debate has ensued over the past months. On May 6, following a meeting of Vice President Hamzah Haz, Economics Minister Dorodjatun Kuntjoro-Jakti, and a special government team to study the issue, Dorodjatun announced that the government was ready to end the existing IMF economic bailout program.

IMF supporters have warned that Indonesia would no longer be able to obtain debt-rescheduling facilities from either the Paris Club of creditor nations or the London Club of private creditors. Next year alone, the country must repay some \$3 billion in debts to the foreign creditors. Dorodjatun, while saying that the economy can handle it, is also the Minister who told the Paris Club last year that Indonesia could not and would not pay either the interest or the principle (i.e., it played the "debt card"), and was granted a one-year debt moratorium. Such "debtor hardball" will be even more essential in the future.

Mahathir Recommends State Oil Company Trade in Euros, Not Dollars

Malaysian Prime Minister Mahathir bin Mohamad recommended that the state oil company conduct begin conducting trade in euros, rather than dollars, *New Straits Times* said May 9. Citing the 25% fall in the value of the dollar this year, and expecting the fall to continue, Mahathir said that Petronas should consider a similar plan announced by the Indonesian state company Pertamina. Asked if the United States would not be unhappy with such a move, Mahathir responded: "It is not a question of the U.S. being unhappy, but whether we get value for our goods."

U.S. Signs Free-Trade Pact with Singapore as 'Payoff' for Iraq Support

The U.S. signed a free-trade agreement with Singapore, admitting that it was a payoff for support on the Iraq war. Even worse, the Administration also admitted that the fact that the U.S./Chile trade agreement has been stalled, was because Chile did not support the Iraq war. Said Chickenhawk U.S. Trade Negotiator Robert Zoellick in regard to Chile: "You know, people are very disappointed. I'm disappointed. We worked very closely with our Chilean partners. We hoped for their support in a time that we felt was very important." President Bush, in announcing the Singapore FTA, called Singapore "a strong partner in the war on terrorism and a member of the coalition on Iraq."

As *New York Times* reporter Elizabeth Becker wrote May 6: "There is nothing subtle about this policy."

The Singapore free-trade deal itself is the first in Asia, and is intended as a foot in the door to force other Asian nations to accept the same terms, which will be unacceptable to real economies, unlike the mini-state-banking and service economy in Singapore. A coalition of U.S. firms led by Boeing, ExxonMobil, and UPS will lead a campaign to get the free-trade agreement passed in the Congress.

First State Visit of German Chancellor to Malaysia

German Chancellor Gerhard Schroeder arrives in Kuala Lumpur, Malaysia May 11, on the first state visit of a German Chancellor to that country. Germany's Ambassador to Malaysia Juergen A.R. Staks emphasized ahead of Schroeder's arrival, the importance Germany assigned to this stop, on what will be a six-day visit, including stops in Singapore, Jakarta, and Hanoi.

A high point of Schroeder's visit to Malaysia is to be a public lecture by the two leaders on the subject of "Malaysia and Germany: Partners in the Dialogue Among Civilizations," organized by the Institute of Diplomacy and Foreign Relations at a Kuala Lumpur hotel.

Thai PM Leads 70-Person Trade Delegation to France

Thai Prime Minister Thaksin Shinawatra departed May 9 for France, on the first state visit of a Thai Prime Minister in 15 years. The official state visit, May 11-12, includes 70 people, among them, representatives of 60 Thai firms. Thaksin has said he wants to sign a trade agreement with France within a year. France is currently Thailand's fourth largest trading partner in Europe. Thaksin said, "France is a key member of the EU, and the EU is a big market that we should apply more concentration to."

French business expressed its confidence that the visit would spotlight Thailand's importance in ASEAN. French firms, which are the second-largest investors in Thailand, expressed keen interest in the six-nation Greater Mekong Subregion (GMS) with Thailand as a base, said Frederic Favre, president of the French Foreign Trade Advisory Committee in Thailand.

French Utility Plans To Gain Stake in Mekong Power Project

The French utility EDF plans to use its Thai subsidiary, EDF Southeast Asia, to gain a 10% stake in the Greater Mekong Subregion power generation, within the decade. EDF President Jean-Pierre Serusclat told the *Bangkok Post* May 2, "We believe the Greater Mekong Subregion will move ahead quickly to become the biggest integrated market in the region with energy, gas, and electricity interconnection. Political willingness will foster integration in the long run to optimize the use of energy resources. And we have a long-term strategy to be a part of integration."

First Anti-American Demonstrations Break Out in Kabul

For the first time since the American troops and International Security Assistance Forces (ISAF) moved into Kabul following the ouster of the Taliban regime, an anti-American demonstration was held on May 6 in Kabul. The protesters, who included government employees and university students, complained of growing insecurity, slow postwar reconstruction, and delay in payment of state salaries by the U.S.-backed Hamid Karzai government.

Among the chants heard were: "We don't want Brits and the Americans!"; "We want Islam to rule. We want Security"; "Death to Bush. Death to America."

The protest was organized by the "Scientific Center," headed by Sadiq Afghan, a prominent Afghan known for his outspoken criticism of the communist regime of the 1980s, the Mujahideen government that replaced it, and the Taliban.

Addressing the crowd, Sadiq Afghan said: "They are talking about reconstruction, but instead making themselves rich.... The time has come to beat the nail in the White House's coffin. If we had dogs instead of these Jews and Christians, we would have security." Afghan also said that about the only changes he had noticed since the Taliban left the scene, were that some women are not wearing veils and the Internet had been introduced.

Security Situation Remains Grave in Afghanistan

The UN Special Envoy to Afghanistan, Lakhdar Brahimi, told the UN Security Council May 6 that the reconstruction

work in Afghanistan was "challenged by the deterioration of the security environment, which stems from daily harassment and intimidation, inter-ethnic and inter-factional strife, and increase in the activity of elements linked to the Taliban."

Much of the country remains "unstable and insufficient," Brahimi said. Among those factors which are behind the instability, Brahimi listed "rivalries between factions and local commanders, impunity for human rights violations, and the daily harassment of ordinary Afghan citizens by both commanders and local security forces."

Brahimi, who worked hand-in-glove with the U.S. Special Envoy to Afghanistan Zalmay Khalilzad, an associate of the Chickenhawk war party in Washington, to give Hamid Karzai another 15 months of rule, is now blaming everybody else for the instability. He never mentioned even once that the Afghans feel "occupied" and that the foreign forces are considered as an "occupying force"—a year and a half since the U.S.-led war to overthrow the Taliban.

India Initiates Talks with Pakistan

On April 18, Indian Prime Minister Atal Behari Vajpayee extended his "hand of friendship" to Pakistan. Within days, Pakistani Prime Minister Zafarullah Khan Jamali was on the phone with his Indian counterpart. Since then, India has decided to reverse the process of downgrading diplomatic relations and appoint a high commissioner to Islamabad. Islamabad has responded positively, and preparations are on for beginning of formal talks—probably at a bureaucratic level—to ease tensions between India and Pakistan.

The change in attitude of both New Delhi and Islamabad is sudden. The situation in the India-held part of the state of Jammu and Kashmir has remained as unstable as ever. The process of instability in Kashmir, triggered and sustained by Islamabad, through infiltration of militants and hard-core terrorists from the Pakistani side, does not benefit either India or Pakistan. Over the years, more than 65,000 people have lost their lives to the militants and the Indian security forces.

It is too early to tell when, in fact, peace might reign along the Line of Control. A lot, however, is at stake. Both India and Pakistan are gas- and oil-short nations, while to the west of the subcontinent, lie some of the most abundant gas and oil fields. For years, Iran tried to work out a solution whereby India could receive Iranian oil through a pipeline which would pass through Pakistan to reach India. However, the tense India-Pakistan relations have prevented the laying of this pipeline. Last January, Iranian President Mohammad Khatami was in India and Pakistan, trying to convince both the nations the necessity of laying the pipelines.

Another gas pipeline from Turkmenistan to India, via Afghanistan and Pakistan, is now openly discussed.

In addition, following the collapse of the Taliban regime in Afghanistan, and the ushering in of the Karzai government in Kabul, India was welcomed with open arms by the Afghans. India has signed a tariff-free trade agreement with Afghanistan, but the lack of a direct route to Afghanistan has so far stymied this proposal. Pakistan had earlier officially declined to allow the passage of Indian goods to Afghanistan overland. Pakistan and India have each also denied the use of air space to the other.

The most important reason for a rapprochement is to develop a strong economic relationship between New Delhi and Islamabad. Culturally compatible to each other, a strong economic relationship between India and Pakistan will pave the way for economic well-being in the South Asian region, home to more than 1.4 billion people.

India and Pakistan will have to take a number of steps in order to assure success in the upcoming talks, the first and foremost of which is to keep Washington out of these talks—both physically and in spirit. Both New Delhi and Islamabad need to make clear to each other that they are not tied to a distant puppeteer. If the American interests become the subject

matter of these talks, they would result in an abject failure.

The second important objective will be to under-react to the militants' actions. Militants, many of whom would like to establish an independent Kashmir, have already stepped up violence in the India-held part of Jammu and Kashmir. A harsh reaction by New Delhi to the militants would help no one, but would give a boost to the militants, whose basic objective is to break the talks, and make New Delhi look like reactionaries and butchers.

Indonesian Army and Free Aceh Movement Gear Up for War

The Indonesian Army (TNI) and the Free Aceh Movement (GAM) are gearing up for full-scale war in Aceh, the *Jakarta Post* reported May 8. A deadline was set for May 12 for the GAM to return to negotiations, but no one expects that to happen. TNI Chief Gen. Endriartono Sutarto told 2,164 military personnel on May 8 to head for the country's westernmost province.

Earlier, the TNI leadership also readied two battalions of about 1,200 Air Force soldiers. They will join some 26,000 troops and 14,000 police personnel already stationed in the province. The huge number of reinforcement troops would reportedly face between 8,000 and 10,000 GAM members who are believed to have some 8,000 weapons, including SS-1, AK-47 and AK-54 rifles.

At least 10,000 people have been killed, mostly civilians, since 1976, in Aceh fighting.

Is the U.S. Declaring War on the MILF Separatists?

The conflict in Mindanao in the Philippines is now rushing toward disaster. In early May, President Gloria Macapagal Arroyo cancelled the peace talks with the MILF, scheduled for Kuala Lumpur May 9, and put a price on the head of the MILF leaders. Now U.S. Defense Secretary Donald Rumsfeld's cohort Gen. Angelo Reyes, the Philippines Defense Minister, has announced that the MILF will likely be declared a terrorist organization, and that the United States will carry out "exercises" with the Philippines Army in two or more areas considered to be MILF territory. As with the Balikatan "exercises" against the Abu Sayyaf last year, these are actually to be live combat operations against the MILF, with U.S. troop support of some sort (yet to be specifically determined).

While the Abu Sayyaf is a small band of terrorist thugs, the MILF is a long-standing Moro separatist movement with deep support in the population. Taking a page from Israeli Prime Minister Sharon's playbook, President Arroyo said on May 7: "No more double-talk. The MILF must unequivocally and unambiguously renounce terrorism in the pursuit of its objectives."

Africa News Digest

Brazil Will Seek Stronger Relations With African Nations

Brazil will maintain its aggressive foreign policy stance, says President Lula da Silva, and will seek stronger relations with China, India, and the nations of Africa, according to *Folha de Sao Paulo* May 3. Speaking April 30 at a seminar sponsored by the National Economic and Social Development Bank (BNDES), Lula warned, "Brazil must learn that we are a large country, that our vocation is to grow, and that we don't need to ask anyone's permission [before we undertake our] political, diplomatic and trade relations." Even though Brazil enjoys excellent relations with the European Union, and an important relationship with the United States, he said, "we need to open up new frontiers, and we don't have the right to

stand around waiting for someone to invite us."

Making no reference at all to the Free Trade Area of the Americas (FTAA) so heavily promoted by the Bush Administration, Lula underscored the necessity of moving forward on South American integration, as well as broadening relations with China, India, and the entirety of Asia. Lula also stressed that Brazil has a "political, moral, and historical obligation to increasingly strengthen its relations with the African continent."

See [IBERO-AMERICA DIGEST](#) this week for more on Brazil's collaboration with Africa.

Egyptian President Mubarak Visits Khartoum for First Time in More Than 12 Years

Egyptian President Hosni Mubarak arrived in Sudan on April 30. Egyptian Information Minister Safwat el-Sherif told reporters that Mubarak and President Omar el-Bashir discussed the lessons derived from what had happened in Iraq—he would not elaborate—and the peace process in Sudan. Sherif added that the talks dealt with means to activate organizations set up within the framework of Egyptian-Sudanese integration, and revival of integration agreements between the two states. Egyptian and Sudanese experts who met in Cairo recently were guided in their discussions by the directives of the two Presidents, *ArabicNews.com* reported May 5.

Directly following Mubarak's historic visit, President al-Bashir left on what was described as an unscheduled visit to Libya. He was accompanied by his assistant, Mubarak al-Fadil al-Mahdi, and Foreign Minister Mustafa Ismail, and "will discuss with Libyan leader Muammar Qaddafi developments in the Arab world following the Iraq war," the official *Al-Anbaa* daily reported.

On May 1, Foreign Minister Mustafa Ismail told reporters in Khartoum that "the renewed placing of the Sudan on the list of the states America alleges are sponsoring terrorism is unfair and unjust and is not based on any logical justifications." On April 30, the U.S. renamed Sudan and six other countries to its blacklist.

Two Major Energy Projects Link West African Countries

Hydroelectric power generated at the Inga Dam in the Democratic Republic of Congo will be transmitted to Calabar, Nigeria, whence some of it will be sent north to Niger and Burkina Faso. The interconnection was completed April 21 and the system is ready for commissioning, according to Ibrahim Kokuri, outgoing chairman of the West African Power Pool, speaking in Abuja April 30. The project was conceived by the Economic Community of West African States (ECOWAS) in 1982.

Natural gas from the Escravos region of the Niger Delta (Nigeria) will reach Ghana, Togo, and Benin, thanks to the West African Gas Pipeline, a \$500-million project first conceived in 1995 under the aegis of ECOWAS. Construction is to begin by the end of 2003 and operations are to commence 18 months later. It is projected that 85% of the gas will be used for generating electricity and 15% for direct industrial use. For electricity generation, the cost of gas per kilowatt-hour will be about half that of oil, according to Dr. Oluremi Aribisala of ECOWAS. Chevron owns 36% of the project, Nigerian National Petroleum Company 25%, Shell 18%, Volta River Authority 18%, and gas companies in Benin and Togo, 2% each.

South African Intellectual Compares U.S. to Apartheid Mode

The United States is now operating in the same mode that the South African government initiated in 1976, namely, shock and awe, according to a member of South Africa's elite, Njabulo Ndebele, Vice Chancellor of the University of Cape

Town. This is so, he charges, because in both cases, the state policy could no longer be sustained by argument. Dr. Ndebele's inaugural address, "The New Logic of War," stands out because Africa has almost fallen silent in the wake of the Iraq war. He noted that what was seen in South Africa earlier and in the U.S. today is that "A powerful country in a state of decline validates its arguments through force.... Of course, the U.S. may take more than a century to finally peter out...." The address was reported in the *Mail & Guardian* May 6.

The Vice Chancellor, an author of many literary works, began his address by drawing on the movie *Brother John*, in which Sidney Poitier was "the eponymous hero who returns to the small Southern town of his birth," and finds a "time warp," of racism. Ndebele says the definitive moment was "when Brother John stands on a hill overlooking the town, and the camera, accentuating his visual perspective, zooms in to a dump of scrap metal and other kinds of garbage. In the middle of his kingdom, this dump of discarded things, is a grown white man with a shotgun. He is intently shooting at something: rats. He finally finds one and shoots it many times after he has killed it."

Ndebele continues from this perspective: "The latest rats are Iraqis, in what U.S. President George W. Bush has billed 'the first war of the 21st century.' They follow Palestinian rats on which the Israelis routinely test the latest American gadgetry of destruction. The technological capacity to kill a thousand times what is already dead has been the common feature of the onslaught on human rats.... This was a war without a transcendent goal or cause. It is a war obsessed with its own techniques. We see no heroism in this war. We witness only the deaths of rats and how they are killed a thousand times over; ordinary men, women, and children cynically described as 'collateral damage.'..."

"It is difficult not to remember Afghanistan, where food and bombs, thanks to the invading Americans, tumbled from the Afghan skies simultaneously. Kill and feed. Kill and liberate.... It could have been the concomitant intention of the 'coalition forces' to induce fear among observing nations through 'shock and awe' efforts. Unfortunately, it is not fear that has been evoked in me [but] a huge loss of respect for a country I have admired. This war evokes revulsion.

"Indeed, what 'the first war of the 21st century' has signalled is the onset of the decline of a great civilization ... unless it does something to radically alter itself."

U.S. Wants Permanent Military Bases in North Africa

According to *Khilafah.com* of May 6, "U.S. officials said the Defense Department is discussing the prospects of a U.S. military presence in such states as Algeria, Morocco, and other countries in North Africa. They said the U.S. has sought naval bases or port rights while in other cases Washington wants permission to deploy ground troops.... Officials said Egyptian President Mubarak has rejected a U.S. approach for basing rights in Egypt." The sources cited by the publication were unnamed U.S. officials.

Following the Iraq war, of course, the U.S. is pulling most of its military presence out of Saudi Arabia's Prince Sultan airbase and relocating its regional headquarters to Qatar.

Regime Change in Zimbabwe: Bush Sending Walter Kansteiner

President Bush is sending Assistant Secretary of State for Africa Walter Kansteiner to Southern Africa to work on edging out President Robert Mugabe of Zimbabwe, in favor of an interim leader from his Zanu-PF party. A May 2 story in the *Cape Argus* and the *Independent* (U.K.) claims that the U.S., Britain, and South Africa have a preference for Zimbabwe's former Finance Minister, Simba Makoni. The story says that Makoni "is untainted by the worst excesses of the Mugabe regime and has publicly denounced the chaotic land seizures." Because Mugabe seeks to plan and direct the Zimbabwe economy, he dumped Makoni, a free-market technocrat, in August 2002.

Blair and Bush have been speaking softly while carrying a big stick since the beginning of Anglo-American occupation of Iraq. Blair told the London *Financial Times* the week ending May 2, "I have never had a difficulty with the concept of intervention. It doesn't necessarily mean that it is armed intervention, it can be diplomatic." Blair has been unsuccessful for more than a year in his attempts to get the British Commonwealth to agree with his desire to blackball and sanction Zimbabwe.

Mugabe's government has been alone in black Africa lately in actively opposing IMF/World Bank hegemony.

Personal Ties Reported Between U.S. Official and Zimbabwe Opposition

Walter Kansteiner also has strong personal ties to Zimbabwe's opposition Movement for Democratic Change (MDC), claims the *Herald*, the government newspaper in Harare, May 8. The connections were reported as a strong delegation from the Anglo-American-controlled MDC party embarked for Botswana to meet with Kansteiner. MDC secretary for legal affairs David Coltart is leading the MDC delegation. Sources quoted by the *Herald* noted that Coltart is a close friend of Kansteiner's, and that in fact, when Coltart is in the U.S., he regularly stays at the Kansteiner home. "They are not just personal close friends, they belong to the same religion, as they claim to be born-again Christians," said the *Herald's* source.

Kansteiner's wife is a former Rhodesian "who is believed to exert tremendous influence on her husband in defense of white interests, especially former white commercial farmers," according to the source.

China Looks to Zimbabwe for Ferrochrome

China's leading iron and steel company will invest US\$300,000 in ferrochrome exploration in Zimbabwe. A 12-member delegation from the Shanghai Baosteel International Economic and Trading Company arrived the first week in April, followed by a team of six experts from Beijing Central Engineering and Research Corporation. Zang Ronghai, who led the delegation, is quoted by the *Herald*: "We believe that Zimbabwe, which holds 19% of the world's reserve of chrome ore, is a viable option for us to get raw materials from this part of the world." The outcome of the project would ultimately determine the size of the investment Baosteel would make in Zimbabwe.

Shanghai Baosteel International, which produces more than 10 million tons of steel annually, is the largest steel producer in China and the world's third largest.

The incoming Chinese ambassador to Zimbabwe, Hou Qingru, said that concerted efforts were being made to bring more Chinese companies into the country.

Kenya Research Institute Wants DDT for Fighting Malaria

Kenya's leading research institute, KEMRI, has sparked a fight by proposing that the pesticide DDT be reintroduced to fight malaria, now killing more than 700 Kenyans daily, according to the *East African Standard* April 23. KEMRI Director Dr. Davy Koech said Kenya must act fast. DDT, he said, is one of the most effective pesticides against the Anopheles mosquito, which transmits malaria, adding, "There is no concrete existing evidence linking DDT use for public health with harmful environmental effects."

The Director of Kenya's Medical Services, Dr. Richard Muga, said malaria is a developing problem that regularly changes form. He said the only option is to turn to DDT. Muga told the *East African Standard* that government chemical analysts

and experts from KEMRI are working around the clock to see if it is possible to reintroduce the use of DDT, banned in Kenya in 1986. KEMRI researchers pointed out that DDT was, however, being used in effective malaria campaigns in South Africa, Ethiopia, Eritrea, and Mauritius.

Speaking on April 19 in Nairobi, Minister for Environment and Natural Resources Dr. Newton Kulundu said the ban on DDT may have arisen out of an exaggeration of its dangers by scientists. He argued that available evidence against DDT was not sufficient for its continued ban.

The chairman of the National Environmental Management Authority (NEMA), which monitors environmental impacts of all projects in Kenya, says that while malaria kills 700 Kenyans daily, it takes more than 40 years for one person to die of DDT-related effects.

The LaRouche movement's science publication, *21st Century*, has for years campaigned for bringing back DDT to save lives in Africa and elsewhere, and gave prominence to the issue in its fall 2002 edition.

International Accord To End War in Western Ivory Coast

Representatives of the armed forces of Ivory Coast and Liberia, northern Ivorian rebels, and French and West African peacekeepers agreed April 30 to implement a full ceasefire in western Ivory Coast, according to *UN IRIN Weekly* for April 26-May 2. According to a communiqué issued by the Ivorian Defense Ministry, Presidents Laurent Gbagbo of Ivory Coast and Charles Taylor of Liberia—as well as Presidents Gnassingbe Eyadema of Togo and John Kufuor of Ghana—still need to approve the final document.

The meeting was a follow-up to the April 26-27 session between Presidents Gbagbo and Taylor, at which they agreed on the need to have a joint military presence to secure their common border, with assistance from West African and French troops stationed in Ivory Coast. In recent weeks, the presence of government military forces of Liberia and Ivory Coast, as well as mercenaries and other fighters on both sides, had transformed western Ivory Coast into a war zone.

The northern MPCCI rebels are now also becoming the dominant force in the West, where they are expelling Liberian freebooters.

This Week in History

May 12-18, 1804

Because of the very short historical memory of the present generation, aided, of course, by lying history books, we concentrate most of our columns on the positive developments in the history of the United States, which can serve as object lessons in terms of what must be done today. But this week, we are directing our attention to a nodal point in the development of the most dangerous enemy we face today, modern imperial fascism.

The crucial event we reference, is the May 18, 1804 decision by the French Senate, to proclaim Napoleon Bonaparte the Emperor of France. That decision was followed by his actual crowning, with the blessing of the Pope, in December of that year.

Without understanding Napoleon, it is impossible to know what fascism is, or to comprehend how the corruption which he represented, has come down to us in the present day.

Napoleon came into prominence as an aide to a prominent French reactionary financier, Paul Barras, in the wake of the French Revolution. That bloody upheaval, which began as an attempt to replicate the American Revolution on European soil, was hijacked by British and other oligarchical agents, so that it turned into an orgy of class warfare and blood, with the main forces of "left" and "right" both committed to a bestial notion of man. As the "right" took over in 1795-96, Napoleon rose in rank in the Revolutionary French Army, and soon began leading expeditions of imperial plunder, beginning in Northern Italy, and then expanding to Egypt.

Napoleon's ambition was no secret. He modelled himself upon the Roman Caesars, with a view to conquering the world as a source of loot, and to conquering the absolute loyalty of the population of France. Thus, when he returned from Egypt in 1799, he seized power through maneuvers in the Assembly, but then quickly proceeded to establish a system of plebiscites, whereby the masses were compelled—by action of secret police terror—to ratify his increasingly autocratic power.

The years of Napoleon's rule were characterized by his imitation of the rule of the Roman imperial Caesars. He moved to conquer southern Germany, Switzerland, Holland, Spain, Austria, and finally, Russia. His soldiers were "rewarded" with loot from his expeditions, and France was filled with the objects he had stolen. Law was rewritten according to the Roman imperial formula, then called the Napoleonic Code, and a "neo-classical," or perhaps, better, Romantic, style imposed on all popular art and culture. Even the churches were brought to heel, through Napoleon's insistence on establishing concordats, which gave him, as representative of the French state, the right to pass on all decrees, appointments, and the like. In effect, France became dominated by a quasi-Roman Pantheon, where all religions were subsidiaries of the state.

Napoleon also declared that his imperium would be hereditary.

Yet, by his appeal to the "glory" of France, and by providing continuous campaigns for the Army, Napoleon built a popular fascist base within his country, which was then supplemented by a massive system of spies and enforcers, who did not hesitate to ensure that "traitors" were rooted out. Frenchmen were turned against each other, just as they were turned against other nations. Wealth was defined not as the product of labor power, but as plunder that could be consumed. Authority was established on the basis of power and force, implemented by a privileged bureaucracy, not by reason or deliberation.

If that paradigm sounds familiar to you, it should, because such a fascist ideology is precisely what is being promoted in the United States today.

Napoleon, like other fascists in history, did not end up well, of course. His arrogance, combined with the inherent flaws in his ideology of war and economy, resulted in his being outwitted and defeated in his Russian campaign in the winter of 1812, and then later in Austria and Germany. Paris finally fell in March 1814, inducing Napoleon to flee to the island of Elba, but his own insane delusions led him to attempt a return to power in 1815. He was defeated soon after, and sent to the prison island of St. Helena, to die a miserable death.

But it is not just the leader of a fascist movement who suffers. The wave of destruction throughout Europe was immense, and the mental destruction has not been overcome to this day. Until Napoleon and his fascist ideology are extirpated from popular culture, there is a danger it will drive us to a far worse disaster today.

Links to articles from *Executive Intelligence Review**.

[*Requires Adobe Reader®.](#)

Economics:

Depression Collapses Purchasing Power by 50%

by Richard Freeman

Since 1963, the purchasing power of an American worker's average weekly paycheck—measured in physical terms, by a household market basket of goods essential for human existence —has plunged by a staggering 50%. This collapse in purchasing power was caused by, and confirms the force of the physical-economic depression that has overwhelmed the United States for the past several decades.

SARS Sounds the Alarm Bell: Restore Public Health Systems

by Linda Everett

In the aftermath of the September 11, 2001, every sane policy-maker, in a plethora of Congressional hearings, rallied for rebuilding the nation's public health infrastructure to deal with possible bioterrorist threats. Now, 18 months later, after the anthrax attacks, the coast-to-coast spread of West Nile virus, the re-emergence of both malaria and tuberculosis, the faltering smallpox vaccination drive, and the eruption of the global epidemic of SARS (Severe Acute Respiratory Syndrome), there is new scrutiny of our 'tattered' public health system.

- Science of SARS

by Colin Lowry

The isolation and full genetic sequence of the new coronavirus has been accomplished by Canadian and American researchers. The genetic sequence shows that this coronavirus is unlike any previously known to infect humans.

- Stopping Disease: The Yellow Fever Case

by Marcia Merry Baker

The first line of defense against disease is to try to stop its spread. This is no less so, when the enemy-disease is a 'mystery variety,' i.e., one whose features (transmission, incubation, etc.) are still unknown, as in the case of SARS.

Wall Street 'Reform:' Meet the new crooks in the world of finance—they're the same as the old crooks.

by John Hoefle

Reform is in the air on Wall Street, as both the financiers and their nominal regulators promise to end the era of corporate scandals and predatory practices, and usher in a strict new era of ethical behavior, honest dealing, and service to the public. Reform is in the air—and the stench is overpowering.

Science and Technology:

Problems of U.S. Policy On Radiation Protection

Two eminent experts, **Zbigniew Jaworowski** and **Michael Waligórski**, discuss the deliberate misrepresentations, omissions, and bias in a report by the U.S. National Council on Radiation Protection, at the expense of the general welfare.

- The Real Chernobyl Disaster

The LNT assumption, as implemented by national regulations and official policy, was the prime cause of the disastrous consequences of the 1986 Chernobyl accident.

- Japan: What Shut Down 17 Nuclear Plants?

by Marjorie Mazel Hecht

Japan's ambitious nuclear vision—to become energy self-sufficient and a world leader in advanced nuclear technology—has long been a target of the geopoliticians and the anti-nukes. Japan chose to go nuclear (52 nuclear plants now supply 34% of its electricity), because nuclear made the most sense for a country with high-technology, energy-intensive industry, and virtually no indigenous oil or gas

supplies.

International:

John Paul II Before the UNO

The Roles of Church and State

by Lyndon H. LaRouche, Jr.

In his addresses to the United Nations Organization (UNO) on December 2, 1978 and October 5, 1995, Pope John Paul II presented the world with a set of concerns which the present world crisis now proves to be more urgent than at any time since the 1960s Cuba missiles crisis and assassination of U.S. President John F. Kennedy.

Pope in Spain, Calls For a New Europe Of Peace and Justice

by Elisabeth Hellenbroich

Pope John Paul II's May 3-4 visit to Spain came at a crucial moment in that nation's history. In the weeks preceding the war in Iraq, Spanish society had been shaken by political turmoil.

Open Letter From Helga Zepp-LaRouche

Germany's Unions, SPD Need To Fight For a Lautenbach Plan, Not Budget Cuts

Helga Zepp-LaRouche issued an open letter addressed to German trade unions and the ruling Social Democratic Party (SPD), under the title, 'No Regime Change in Berlin—The Lautenbach Plan Instead of Cutbacks!' It has been masscirculated by the Civil Rights Movement Solidarity party (Bu"So), of which she is the chairwoman, since late April.

No Room for Detours On Mideast 'Road Map'

by William Jones

The release of the 'road map' for Mideast peace on April 30 offers the potential for a change in the disastrous policy direction of the Bush Administration, which is currently dominated by the war faction.

LaRouche's 25-Year Oasis Plan' Campaign

by Marcia Merry Baker

In 1975, Lyndon LaRouche issued a policy proposal in Berlin, for an International Development Bank (IDB) to back priority regional economic programs in the mutual interest of nations in key regions of the world. Foremost among these was the Middle East, which LaRouche had just visited. During the same period, he conferred in Europe with Israeli and Palestinian leaders.

Saboteurs Mobilize To Wreck 'Road Map'

by Dean Andromidas and Scott Thompson

Israel Prime Minister Ariel Sharon told Israeli Radio on May 6, that he will not take a single step to implement the 'road map' for Middle East peace, until he discusses his 'reservations' with President George W. Bush personally, in a visit to Washington in late May or June.

Pentagon Vandals and The Collectors' Council

by Anton Chaitkin

Following the invasion of Iraq, internationally organized criminal groups were allowed freely to loot Iraq's museums as U.S. military occupation troops stood by. Over 5,000 years of mankind's history and cultural heritage have been threatened; thousands of artifacts have disappeared. The green light for this looting may have been arranged at a series of pre-war meetings between the Defense Department and a group of wealthy collectors, the American Council for Cultural Policy (ACCP), lobbying for the decriminalization of private-ownership-by-theft.

Eurasian Nations Working Hard To Create a Multipolar World

by Mary Burdman

The nations which opposed Washington and London's war against Iraq—especially China, India, France, and Russia—have not abandoned efforts to move the international situation towards real multipolar cooperation.

National:

LaRouche Expose' of Strauss's 'Children of Satan' Draws Blood

by Jeffrey Steinberg

Just weeks after the LaRouche in 2004 campaign began nationwide circulation of 400,000 copies of the Children of Satan dossier, exposing the role of University of Chicago fascist 'philosopher' Leo Strauss as the godfather of the neoconservative war party in and around the Bush Administration, two major establishment publications have joined in the expose'.

Rumsfeld's Reorganization: Will Congress Defend The Constitution?

by Carl Osgood

The U.S. Congress has a make-or-break opportunity to live up to its Congressional responsibilities by shooting down Secretary of Defense Donald Rumsfeld's 'emergency' legislation, which would effectively scrap the 100-year-old Civil Service system, eliminate collective bargaining rights, and greatly weaken protections against discrimination, and strong-arming of whistle blowers, among the nearly 700,000 civilian Defense Department employees.

U.S. Military:

Rumsfeld & Co. Force Behind-the-Scenes Revolt

by Edward Spannaus

'Rumsfeld conducting war on Army,' read a headline in the May7 Baltimore Sun. In fact, Donald Rumsfeld's denigration of the Army and its infantry forces has been a hallmark of his entire reign as Defense Secretary, with Rumsfeld and his top deputies, such as Paul Wolfowitz and Steven Cambone, clashing repeatedly with top Army leaders over the past two years.

Earth to DNC:

LaRouche Is Number 1 in Support

by Anita Gallagher

The Democratic National Committee and the mendacious U.S. press are sounding an ugly dissonance with reality, as they struggle to hype and stage Democratic Presidential candidate forums in Ohio on May 17 and Wisconsin on June 13, while so far excluding Lyndon LaRouche—the candidate who leads Sen. John Kerry (D-Mass.), Sen. John Edwards (DN. C.), and all the other 'major candidates,' in money raised, number of individual contributions, and number of contributors in those states!

'Doomsday' Budget For New York City

by Mary Jane Freeman

Fire! It's blazing in your Brooklyn neighborhood. It's 7:00 at night. Four and a half minutes later the New York Fire Department (NYFD) company arrives, the fire is brought under control, and no lives are lost. You were lucky. By the end of May, under the announced budget cuts of New York City Mayor Michael Bloomberg, your local fire company will close. Response time for a company farther away will be longer and lives will likely be lost.

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