

## Electronic Intelligence Weekly

### Online Almanac

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## THIS WEEK YOU NEED TO KNOW

### EDITORIAL\*

#### The Henry Waxman Letter: Who Knew What, and When?

by Jeffrey Steinberg

**\*Documentation: The Waxman letter, and the State Department's reply, begins on page 48 of the above linked article.**

## LATEST FROM LAROCHE

### **LaRouche Says Charges Against Cheney Constitute Grounds For Impeachment**

*The following article was issued as a press release by Lyndon LaRouche's Presidential campaign committee, LaRouche in 2004.*

WASHINGTON, D.C., June 7—In the midst of a growing mountain of evidence that Vice President Dick Cheney led a battery of senior Bush Administration officials, in repeatedly using what was known to be a forged document from a foreign government to corral Congressional and public support for the Iraq War, Democratic Presidential pre-candidate Lyndon LaRouche issued a sharply worded statement insisting on a full investigation documenting exactly what Vice President Cheney knew, when he knew it, and precisely what he did contrary to what he knew to be the truth.

The charges against Cheney are centered on the fact that the Vice President repeatedly used documents, allegedly from the government of Niger, purporting to show Iraqi government efforts to purchase large quantities of uranium precursor, "yellow cake" from that African nation, long after he learned that the documents were forged.

On June 2, Rep. Henry Waxman (D-Calif.), the ranking Democrat on the House Government Reform Committee, sent a letter to President George W. Bush, demanding a full explanation from the Administration, as to why senior Bush Administration officials, including Vice President Dick Cheney, Secretary of Defense Donald Rumsfeld, and the President himself "cited forged evidence about Iraq's attempts to obtain nuclear materials."

In a statement released through his national spokeswoman, Debra Hanania-Freeman, LaRouche was quoted as saying,

"Let there be no mistake about it. The nature of these charges constitute hard grounds for impeachment. The question has to be taken head on. It is time for Dick Cheney to come clean. I want to know exactly what Dick Cheney knew and when he knew it. The charges are grave and specific and leave no wiggle room. Determining who knew what and when is, at this time, an urgent matter of national security."

Freeman, citing LaRouche's own track record in challenging the avalanche of disinformation and "spun" intelligence products thrown up by the Straussian neo-conservative network inside the Bush Administration, to launch the recent war against Iraq, said that LaRouche was uniquely positioned to hold not only the Administration itself, but also the other Democratic Presidential candidates, accountable for their uncritical endorsement of what amounts to an ongoing fraud against the Congress and the American people.

She said that the chronology of events documented in the Waxman letter, indicates that Vice President Cheney was among the first Administration officials to be informed that the Niger documents were forgeries, and that he nevertheless continued to assert the Niger-Iraq uranium story as fact. "This kind of witting, repeated fraud against the Congress and the people of the United States represents a crime of the highest order. And, as such, I can tell you that Mr. LaRouche will see to it that a determination is made and made quickly, and that he will not back off until appropriate and severe action against those perpetrating this fraud is taken."

## **Appendix: Chronology**

\*Sometime in late 2001, the U.S. Central Intelligence Agency received a series of documents on the letterhead of the Niger government, detailing repeated attempts by Iraq to purchase vast quantities of uranium oxide "yellow cake," a precursor for nuclear weapons.

\*In early 2002, Vice President Cheney requested that the documents be investigated and, as a result, a former U.S. Ambassador to African countries was dispatched to Niger.

\*Sometime in February 2002, officials of the CIA, the State Department and the Vice President were informed by the ex-Ambassador that the documents were forgeries. The fact that the documents were forgeries was reported around the Bush Administration.

\*Nevertheless, on Sept. 24, 2002, Bush Administration officials and CIA officials briefed Congressional leaders that the Iraqis were attempting to purchase "yellow cake" from an African country. The same day, the Office of British Prime Minister Tony Blair published a dossier on Iraq's weapons of mass destruction, foisting the same false information about the Niger uranium purchases.

\*On Dec. 19, 2003, the U.S. State Department published a one-page fact sheet, disputing Iraq's weapons declarations to the United Nations Security Council, again citing the Niger sales of "yellow cake" to Iraq.

\*During January 2003, every top national security official of the Bush Administration, including National Security Adviser Condoleezza Rice, Defense Secretary Donald Rumsfeld, and President Bush, himself, cited Iraq's efforts to obtain nuclear materials from Africa, in briefings, interviews and, in the case of George Bush, in his State of the Union address.

\*On March 7, 2003, Dr. Mohammed ElBaradei, the director general of the International Atomic Energy Agency (IAEA) delivered testimony before the United Nations Security Council, in which he exposed the Niger documents as shoddy frauds.

\*Even following the ElBaradei public revelations, Vice President Dick Cheney, appearing on March 16 on "Meet the Press," repeated the Iraq nuclear material lie.

The next day, Rep. Henry Waxman (D-Calif.) wrote his first letter to President Bush, demanding an accounting of the

repetition of proven fabrications.

## **LaRouche to European Youth Movement: 'Popular Opinion' Is the Enemy**

*This is an excerpt from a presentation given by Lyndon LaRouche to a cadre school of the international LaRouche Youth Movement in Wiesbaden, Germany, on May 31, which will also appear in the New Federalist newspaper. The complete speech is archived on LaRouche's campaign website: [www.larouchein2004.com](http://www.larouchein2004.com).*

The worst enemy, of humanity today, is popular opinion. And, what's the idiocy! The person who protests against injustice, says, "This is contrary to popular opinion!" But, it is popular opinion which controls their behavior, so that they actually demand, and support the institutions, which are responsible for the oppression. They'll say, "It's not fair!" What is a gladiator going to say, in the Roman arena, when he goes in to kill or be killed? He said, "The decision was not fair." The Roman arena, the gladiator system, was itself unfair. So, to complain about the unfairness of the gladiator games, is foolishness. The existence of the games, is what the foolishness is. The existence of the games is the evil.

Our political process, in Europe and in the United States, is, to a large degree, *a farce*! They call it "democracy." It's a farce! And, you know it by the effects. You can not get a government elected and stable, which will continuously do, that which is useful for the benefit of present and future generations.

Let's take the case of health care. What happened to health care? In the United States and in Europe? They cut it! Why? In order—and partly, because they were Malthusians; they were environmentalists; they wanted to reduce the human population. They wanted to kill off the old people, and the chronically ill—and they've done a fairly significant job in that! In 1973, they had the HMO bill, which said that, no longer, does the individual, who has paid in, perhaps to a health-care fund—no longer do they have a right to health care: What comes first, is the stockholder, who bought into the corporation, which took over the health-care system, *and they must be paid first, even if it means killing the patient*. Or, denying them the care they need.

This is done by popular opinion. This is called "liberalism"; called "contemporary liberalism." It's called "free trade." By which societies are destroyed. A totally irrational system!...

## **We Are Degenerating**

So, what you've been experienced to, in your lifetime, since 1964-71, the world you've lived in, is a different one, than the world we lived in before, in Europe and in the Americas. We are degenerating! Our problem, is to *reverse* that degeneration. Go back to ideas, which were commonplace and accepted, back then, in the postwar period in Europe, or in the Americas. And, reverse this crazy liberal system, which resulted in these horrors, which we face today.

We really don't need to invent a new system. We have to go back, essentially, to the system that worked, and make improvements on the basis of that system, rather than trying to design a completely new system. Because, there's a relationship between the way the Hill-Burton law was passed, and the way medicine works. So, it was not designed on the basis of some accountant coming up with a scheme. When you get to these kinds of policies, throw the accountants out!

You have to think in terms of scientific principles: What are the principles of medical practice? What are the principles of health care? What are the principles of preventive medicine?

For example, take preventive medicine: Today, we have a population in the United States whose life expectancy has increased probably ten years, over what it was, at the end of the war. Ten or more years. Now, that's the good part. The bad

part is, when people become older, they become more susceptible to diseases which we associate with advancing years. Therefore, when people become older—and a large part of the population becomes older—that means you have a new category of health care, that is required, to meet the fact that older people now require more health care, which is attuned to the aging generation—the post-65, post-50 (actually) generation.

Therefore, you need to have a factor of more emphasis on *preventive* medicine, preventive care, which is one of the things which is being eliminated by the present so-called "reforms" in medical care. Preventive care is not being attended to. You get lists. You go to a physician for a diagnosis. The physician makes a medical diagnosis. But then, he has to submit the diagnosis to insurance companies, or government authorities. The insurance companies will take this diagnosis, and they'll put it through a computer. And, they'll say, "This person will be treated for this disease"—the diagnosis made by the computer, and the accountant—not by a physician! The physician makes a diagnosis of his examination. He then forwards that, according to an approved form, to the agency which authorizes the treatment, and the payment for the treatment. That agency is like an accounting firm type, which now processes it with their computer, and says, "This patient will be treated for this disease *and only this disease*, and will get *this amount of treatment*, this surgery, and *only* that. If they're still sick, that's too bad. They go on the street."

And that's what you have now. What is done in this process, this signifies that there is preventing of preventive medicine. Because competent physicians and institutions can anticipate, by a thorough medical appreciation of the patient, the life-style, the conditions of life, and so forth—can anticipate what their problems may be. What problems are developing. What they have to do, to care for themselves, to prevent these problems from arising.

Now, actually, preventive medicine, in these categories, will do more to lower the actual experienced disease rate, and the cost of medicine, than by not doing it. Preventive medicine is generally much cheaper, than curative medicine, after the problem erupts. This is eliminated. And therefore, we're in a period, where people have been tending to live longer—that means they're *somewhat* healthier, that's why they live longer. But, at the same time, they do develop organic diseases, which they're susceptible to, which are foreseeable, and against which they could take precautions, and for which they require care of some kind or other, or assistance.

If we provided that, we would lower the incidence of serious diseases, which kill people.

## Deliberate Decadence

So, the problem here, is this *decadence*. And, this decadence is largely deliberate, as you've seen, by what's happened in health care *and* education, and other things.

And employment! For example, it's pure idiocy to have 4-5 million unemployed in Germany! There's no reason for it! It's insane! Because the cost of not employing people who are productive, with all the shortages in society, is crazy!

Think of what you need. Take the railway system in Germany (the United States is a total disaster): The railway system is being destroyed. The public-transportation system is totally being destroyed. Whole parts of Germany are being destroyed *by neglect* of basic economic infrastructure. The *Stadtwerke* are in jeopardy—these are an essential part of the infrastructure of the whole economy! They're not being maintained.

So, the idea of *cutting* expenditures, for these categories of public expenditures, is idiotic! Because, paying for these expenditures, does what? You pay for somebody who's productive, or a group of people who are productive, as a group. You employ them, as opposed to leaving them *unemployed*. All right, first of all, you pay them an income. But, they're producing more wealth than the income they're receiving. So, the amount of national wealth is increased more rapidly than cuts in their salaries.

So, it's insane! As this Lautenbach proposal, back in 1931 showed: The secret is to create mass employment, largely in basic economic infrastructure, which governments can organize quickly. There are always public-infrastructure projects to be completed; water projects to be straightened out; power production and distribution to be improved; mass transportation to be increased; medical care to be improved, public medical care; education to be improved. There are always large projects, which need to be done, for the future of the nation. These will be beneficial to the nation: They will be more benefit *than they cost*.

So, it is *insane*, not to have public efforts to employ the unemployed, put them back to work. And the obvious thing in Germany, the first objective in Germany would be—if I were the Chancellor: *3 million more jobs!* Period. Assigned in these categories, where government is capable, of either providing the employment, on the state, or municipal level. Or, where government can organize the private sector to expand its employment, in these same kinds of areas. And, with 3 million more jobs in Germany, the budget would balance. And, the amount required to be spent, to create these jobs, would be less than the economic benefit of the jobs, themselves.

So, it's insane. But, you have this crazy Stability Pact—or the "Mental *Instability* Pact," it's better called—which prevents that from happening. And the Chancellor does not dare challenge the Maastricht agreements, at least on this point, which would be the obvious thing that a head of government or state would do, in a depression. I mean, after the lessons of the 1930s Depression, for example, in the United States, and other depressions, we have learned that this method works: That, in a time of crisis, you have to take the long-term view, and the state has to intervene on a long-term basis, to create public credit; direct it to these kinds of projects, to stimulate the regrowth of the economy, knowing, that over the 10-, 20-year period, that this will pay out fine. So therefore, the credit, which was generally cheap, government credit, is well worth spending. But, then have along this idea of free trade. Under this, you can't do it: "You have to let 'The Market' decide."

This comes back to another point: Why are virtually all economists proven incompetent, now? Why am I sometimes the only competent economist in the world, at least in Europe and the Americas? Why? Because economists today believe in money. I don't believe in money.

See, people base the idea of measuring an economy on "The Market." "How is the financial market doing? What are the stocks doing? What are the bonds doing?" "What are my investments doing?" "Is the market value of my house increasing?" (Even though the house is getting more dilapidated all the time!)

If you look at my "[Triple Curve](#)" representation of what has happened since 1966 in the United States, and then, also, in Europe and elsewhere: You had the total amount of monetary market values have been going up, in a curve, accelerating; the monetary emission to support this financial market has been increasing, to a *hyperinflationary* degree, presently; while the *physical output* of society per capita, has been collapsing. So obviously, there's something wrong with money! Or the way it's being used.

Now, money is useful, but money in a proper system, unlike the European system of Anglo-Dutch liberal parliamentary democracy: Money should only be created by governments, who are responsible for issuing it, and managing it. Why? To prevent this from happening! To prevent financial values from increasing, while the physical values go down. The function of regulation, and control of money, taxes, other kinds of regulation in an economy, is to force money to behave itself! That money values shall not increase, or not be encouraged to increase, more rapidly than the physical values are increasing. That's the way you have a stable economy.

But this leaves no room for profits from financial speculation. And, what happens is, in the world today, under the free-trade system and the reforms which recently occurred, the free-trade system says, that the money values, the financial-market values, shall predominate. And everything shall be done, to *make the stockholders happy*—the speculative



stockholders. Because they don't have long-term investments. They come like mosquitoes, from one investment to the next. So, that's the problem.

So, popular opinion, by accepting these kinds of idea, denies a principle of truth, of *truthfulness*, by rejecting the idea of hypothesis; by losing their mental moorings in the kinds of so-called "popular culture," which corrupt and destroy minds today. The population becomes its own worst enemy. And, to the extent that it intervenes in society, it makes the worst choice. And, then it blames the politicians. And, if it gets angry enough with the politicians, it brings in a dictator, who will really do the job. That's what happened before; that's what's threatened now.

## The Legacy of Christianity

So, we in European civilization, have, largely as a result of the legacy of Christianity—which is based largely upon the Classical Greek culture, known to the Apostles of Christ, as typified by the Gospel of John and the Epistles of Paul—a culture which, despite all the evil done to it within the Roman tradition, in particular, achieved the highest rate of improvement in the human condition, *in all known history*. This culture: European civilization. Therefore, when we're true to ourselves, our object is to share the benefits of our culture, with people of other cultures. To do that, you have to understand *our* culture itself, its best features. You have to understand the difference between man and the animal. For example, look at the problem in Asian society. Look at the large mass of people, who are murderously oppressed, kept ignorant, without progress, while a relative minority of the population prospers on the back of people who work almost as herded human cattle, to provide the food and so forth, for that sort of culture. That's wrong.

We know it in Europe; we have similar phenomena in European history. We fought against this. We fought against feudalism. We fought against this, with the dignity of the human individual, in the sense of man in the image of the Creator, in Europe. All the good things we did, were a result of that. If we look and understand European history, from the beginning, in Greek civilization, and look at the problems around the world, our concern is to give the world the best we have to offer; and to *assist* them, in elevating the condition of their masses of millions of poor. The population of China is 1.3 billion or more. The population of India is more than 1 billion. The population of Southeast Asia is very large, hundreds of millions, and in similar condition. The population of Pakistan, similarly. The population of Africa is also.

These countries are in misery. We have the knowledge, we have the power, we have the ability to cooperate with these countries, to create an order on this planet, which emphasizes the idea of man in the image of the Creator, as man is distinct from the animal. Therefore, it is our obligation, if our lives mean anything, to *spend* our lives, as we would spend money: Spend it wisely. Spend it for the future of humanity. Examine ourselves. Examine the history of our culture. Look at the kinds of problems I've briefly described to you, and apply that knowledge to the situation. And think of yourself almost as a missionary, or something else, of culture, who is innovating in other countries, as their friend, expressing here, in our own culture, the *best* we have to offer, and defining our relationship to them, and, in fact, we want to offer *the best*.

And they get happy, when you really do that. They may object at first, and say, "You're tampering with our culture." Or, "We had a good culture." Well, it's a stinking culture. They have many elements of their culture are very good. But, the mass of poverty *is not good*. The mass of desperate poverty *is not good*. A 3% HIV ratio in India, *is not good*! It's a marker of the other diseases. The HIV problem and other problems in Africa *is not good*. The health situation in Southeast Asia *is not good*.

## Understanding Other Cultures

And we have the ability to change it. And that's what I've sort of dedicated my life to—at least, it's crept up on me. I sort of believed this, for most of my life. But then, more and more missions kept crawling up on me, and I found myself committed to this, for the long term, and I've been at this particular work I'm doing now for over 35 years. It just started out

as something I thought I had to do, and now it controls me! But, that's all right, I don't complain, I enjoy it.

But, that's the point. The key thing here, is—it's only a summation of the points, which you've had in other discussions: That, you have to start in European culture. You have to understand what European culture ought to mean to you. You have to understand national cultures, within European culture, in those terms. And, with that understanding, of the implications of the difference between man and beast, you have to look at *other* cultures—as Asian cultures, for example—and look at them, from the standpoint of the fact, they are *human*; they have the same *essential* qualities that we have; but, they have a different, historically determined culture. And therefore, we must try to understand their historically determined cultural development, which is the context, within which they can work out these same kinds of ideas.

In the end, we should come to the same conclusion, the same conclusion about humanity. But, humanity for a long time to come, is going to still be composed, justly, of respectively sovereign nation-states. Our job is to create, to bring into being, a community, of respectively sovereign nation-states upon this planet. And, by understanding ourselves better, we will be better able to understand those of other countries, and find the pathways of communication and policy-making *with* them, which can bring this state of humanity into being. We desperately need it.

The one thing we have to be conscious of, in all this: We have to be conscious of the enemy of humanity: It's the generation of popular opinion, based on this form of corruption, which, renders society vulnerable—good societies—vulnerable to destruction.

If you have a sense, as I do, of the ups and downs, of European civilization, including that of the Americas over the recent 40, 50 years, you see that, in the postwar period of reconstruction, in Europe—Germany notably—there was a great upsurge of improvement in culture. There was a return to the influence of a Classical culture, revival of the Classical humanist education in schools, secondary schools. An improvement in the number of engineers; improvement in technologies.

Then, it began to go down. So, you have a sense of the ups and downs. And you can date it, say, the time of the Brandt Reforms: The destruction of the German Classical humanist education, was probably the beginning point of a decadence, a pervasive decadence, in the culture of Germany. You can do similar things in France; similar things in Italy. So, we have these episodes of ups and downs, ups and downs. Always, in a renaissance, humanity comes to itself, and has some sense what a human being is, a sense of human values. Then, you get into another phase, the so-called "popular-culture" phase, which took over the United States, in the middle of the 1960s: And you see *a descent, a moral descent, and then a*

*physical descent* of society. We have to understand, that *this* is the enemy. That popular opinion is the enemy. Popular opinion is what has to be changed. If you can change popular opinion, you can solve the other problems.

Thank you.

## U.S. Economic/Financial News

### Jobless Rate Hits Nine-Year High; New Claims Climb; Factory Orders Slide

The nation's jobless rate soared to 6.1% in May—the highest level in nine years—as the number of official unemployed reached nearly 9 million.

At the same time, new claims for unemployment benefits remained well above 400,000 per week: Initial jobless claims rose by 16,000, to 442,000 for the week ended May 31. The four-week average of initial jobless claims, increased to

430,500—the 14th straight week above 400,000. Continued claims fell to 3.7 million.

Further fuelling the downward depression spiral, U.S. factory orders tumbled by 2.9% in April, compared to March, to \$320 billion, the biggest monthly drop since November 2001, the Department of Commerce reported on June 5. New orders for manufactured goods declined in most major categories, including sharp falls in machinery, transportation, and electrical equipment.

### **U.S. Infrastructure Needs 'Significant' Boost in Funding**

A "significant" boost in funding is needed to repair and upgrade deteriorating infrastructure—the "backbone" of "economic vitality," warned the American Society of Civil Engineers (ASCE) in two separate "report cards" on Wisconsin and Kentucky. As a way of "increasing public awareness to the importance of maintaining our infrastructure," the ASCE followed up on its 2001 "Report Card on America's Infrastructure," which assigned a grade of "D+" and called for \$1.3 trillion in nationwide spending on infrastructure programs over the next five years. "Report cards" were issued for Wisconsin (May 6) and Kentucky (Feb. 11), by the relevant ASCE state sections.

*\*Wisconsin:* Areas evaluated (grade assigned), include:

—Roads (C-): Current funding levels are falling significantly below recommendations set by the State Highway Plan 2020, to improve safety, maintain pavement, and relieve congestion.

—Bridges (B-): Some 20% are in need of replacement or repair.

—Public Schools (C): About 50% are more than 40 years old. Some 57% report maintenance budgets as "less than adequate" to raise the school's physical condition to "good."

—Drinking Water (C+): Aging treatment facilities require more than \$3.0 billion over the next 20 years.

Rivers and Dams (D): Dams are not being inspected as needed, and repair grants have been cut back due to lack of funds.

—Stormwater (C+): Half of Wisconsin's communities do not have a regular maintenance program for storm sewers and catch basins; aging sewers need to be replaced.

*\*Kentucky:* "All areas of Kentucky's public infrastructure are in need of immediate and continued investment."

—Bridges (C-): As of 2002, about 31% were classified as structurally deficient or functionally obsolete.

—Dams (C-): Over \$30 million in repairs have been identified for state-owned dams—not including the locks and dams on the Kentucky and Green Rivers.

—Transit (D): One-half of the buses used in public transportation are older than the useful life.

—Wastewater (D-): Due to the aging infrastructure, a large number of individuals are not currently served by sewers.

### **Most Jobless Workers Use Up Federal Funds Before Finding Job**



About 60% of jobless workers receiving Federal unemployment benefits—nearly 3 million—have used up those benefits before finding a job, according to a report released June 5 by the Center on Budget and Policy Priorities, which is based on data from the U.S. Department of Labor. During March 2002-January 2003, of the more than 5 million jobless workers who started receiving Federally funded unemployment benefits when their state benefits ran out (after 26 weeks), nearly 3 million workers were unable to find a job before those Federal benefits expired (an additional 13 weeks, in all but six states).

Moreover, about 1.1-1.4 million workers have exhausted their 39 weeks of jobless benefits, but remain unemployed, the CBPP estimates. Of those unemployed for nine months or longer, about 62% have substantially depleted their savings, and over 50% have borrowed money to meet living expenses, according to an April survey by the National Employment Law Project.

That this breakdown is another proof of the urgent need for LaRouche's jobs-vectorized economic recovery, through an FDR-style infrastructure program, is denied by the CBPP, which calls merely for an extension of Federal unemployment benefits, under the delusion that the unemployed would be able to find a job in the additional time frame.

Even when received, unemployment benefits only replace about 30-50% of a worker's previous wages—forcing recipients to slash spending, postpone medical or dental treatment, or borrow.

### **Not To Worry: BLS Creates 'Mystery' Jobs at 'Invisible' Firms**

The Bureau of Labor Statistics is counting "mystery jobs" at "invisible" companies, charged the *New York Post's* John Crudele June 5. Under a "benchmark" revision, the BLS will quietly remove 313,000 jobs from its employment report, jobs that it fraudulently claimed existed last year—but those 313,000 jobs do not show up in the May data released on June 6. Plus, the BLS counts jobs that it believes are being created by companies that it can't prove exist, something called the "bias factor." In the past three months the BLS has added 354,000 "mystery" jobs to its data from these "invisible" companies.

### **Bush Tax Cuts Will Hurt Middle Class**

Cumulative tax cuts will result in the middle class paying a greater share of Federal tax burden by the end of the decade, than they did before the 2001-03 tax cuts were passed. The Citizens for Tax Justice found that for taxpayers earning between \$45,000-\$337,000, taxes would fall by 7%—less than half the tax cut reaped by the very wealthy. The Tax Policy Center, found that for families earning between \$22,955-\$80,903, their share of Federal taxes would rise from 25.5% currently, to 26.1%.

### **Delta Plans Health-Care, Pension Cuts**

Delta Airlines plans to slash employee health-care and pension benefits by the end of 2005, as part of its plans to cut an additional \$2.5 billion in costs, *Reuters* reported June 5. A company spokeswoman claimed that there were no immediate plans to eliminate any jobs. The airline had already reduced costs by \$1.5 billion, as of the end of 2002.

### **'Big Three' Slash Auto Production, Citing 'Incentive Burnout'**

The "Big Three" U.S. automakers will slash production due to weak sales—despite the huge buyer incentives of the past couple of years. U.S. auto sales in May came in at a seasonally adjusted annual rate of about 16.1 million vehicles, below

April's pace of 16.4 million, reflecting, in newly coined lingo, "incentive burn-out."

Ford, the world's second-largest automaker, said it would cut vehicle production during July-September by nearly 15%, as sales in May fell 5.8% compared to a year ago; it had cut second-quarter output by a similar amount. GM, the number-one automaker worldwide, said it plans to scale back third-quarter production by 6%, despite an 4% increase in sales from a year earlier, as it spent an average \$3,916 per vehicle on rebates and incentives to attract buyers. Chrysler plans to slash costs by \$1 billion this year, by cutting production and other measures.

DaimlerChrysler warned of a \$1.17-billion loss this quarter at its U.S. Chrysler unit because incentives (averaging more than \$3,500 per auto) led to reduced revenue, while sales fell 3% in May. Standard & Poor's, citing the "staggering" loss, lowered its outlook on DaimlerChrysler's debt to negative, an indication the company's credit rating is likely to be cut.

### **AFL-CIO: Labor Costs at Amtrak Stagnant**

Amtrak's total labor costs showed no increase in 20 years, and declined in real dollars. Total labor costs at the national passenger railroad, including wages and benefits, have remained constant as a percentage of operating costs, over the past 21 years, and have actually declined in real dollars.

Further, Amtrak employees earn 22% less than the prevailing rates of freight railroad workers. Amtrak's labor costs account for 47% of its total operating expenses, well below the same costs associated with commuter and urban rail systems like the Long Island Railroad and Philadelphia's SEPTA.

Since 1980, Amtrak wages have fallen in real terms, increasing between 82.8% and 83.1%, compared with the 103% increase in the Consumer Price Index.

## **World Economic News**

### **BIS Reports 'Unusual Divergence' in Market Views**

April and May 2003 saw an "unusual divergence" in market views about global economic prospects, states the Bank for International Settlements (BIS) in its latest quarterly review, released June 2.

On one side, says the BIS, there are the investors in the main government bond markets, who recently had to revise downward their overall economic expectations, again and again. There had been "a series of disappointing macroeconomic announcements" in the recent few months concerning the U.S., European, and Japanese economies, including "the surprisingly weak U.S. non-farm payroll figures in March and April." As a consequence—because investors expect more rate cuts by central banks—"long-term interest rates in the major markets fell to historic lows in May." As an example, "the nominal yield on the 10-year U.S. Treasury note stood at 3.31%" on May 22, "its lowest level since 1958 and approximately 50 basis points lower than its end-2002 level. The yield on 10-year German government bonds fell by a similar magnitude to 3.54%, its lowest level in decades. Yields on corresponding Japanese and Swiss government bonds were lower still."

"By contrast," remarks the BIS review, "investors in equity and credit markets discounted the weak macroeconomic data," and actually started a big buying spree in stocks, corporate bonds, and emerging market bonds. In the U.S., the corporate bond market, between October 2002 and May 2003, experienced one of its biggest rallies in 10 years. Stock markets were recovering. And, at the same time, investors moved large amounts of money into emerging market bonds like those from Brazil, Argentina, Turkey, or South Africa.

The rush into stocks and secondary debt was, of course, driven by the much higher yields that these types of investments were promising. However, these investors are also betting that the world economy will soon improve, that corporate balance sheets might soon show "robust earnings growth," and that the period of large private and public defaults is essentially over.

In typical BIS language, the review raises the question, whether these optimistic investors are "getting ahead of themselves?" The BIS closes its overview chapter by emphasizing that "such forecasts have in the past consistently proved to be overly optimistic."

### **Schroeder at Evian: European Nations Must Stimulate Growth**

In response to questions from reporters at the Evian, France G-8 Summit June 1, about the apparent conflict between European governments' insisting on growth on the one hand, and the Maastricht budget-restricting criteria on the other, German Chancellor Gerhard Schroeder came down emphatically on the side of national sovereignty and economic growth. "What must be done is to stimulate growth, Schroeder said. "This means that deficits have to be tolerated in Europe for some time.... This can be done if there is no deviation from the consolidation course, in general."

For the time being, however, none of the EU governments is openly challenging the Maastricht system. The path they are likely to choose is to risk conflict with the criteria system and the ensuing legal problems with the EU Commission, but to proceed with deficits irrespective of the 3% GDP criteria and stretch the legal procedure over several years. The French government has been the most outspoken on this approach: Risking legal conflicts is the lesser evil, and the outcome can be influenced over the course of time.

### **French Workers Strike Against Pension Cuts**

Public-sector strikes closed much of France June 3, leading the Chirac government to warn of "dramatic consequences" for the economy. The protests—the second public-sector walkout within the month—center on the government's planned overhaul of France's retirement system, which would require public-sector workers to work 40 years to retire with full benefits, instead of the current 37.5 years.

Demonstrations took place in more than 100 towns and cities, disrupting airline schedules throughout Europe. Air France scrapped 65% of its short and medium-haul services for the day; British airlines reported cancellation of 90 of 120 flights from France, and 97 out of 138 of Germany's Lufthansa flights were grounded.

### **Asia Bond Fund Officially Established**

The Asia Bond Fund (ABF), first proposed by Thai Prime Minister Thaksin Shinawatra, was officially established on June 2, and will begin operations with \$1 billion in dollar-denominated bonds, purchased by the central banks of 11 Asian countries—China, Hong Kong, Indonesia, Philippines, Thailand, Malaysia, Singapore, South Korea, Japan, Australia, and New Zealand—for reinvestment in development projects in the region. The fund is intended to serve as a means of defending national economies against currency speculation, for pooling of Asian reserves for investment, and as a step toward an Asian Monetary Fund.

The BIS is designated as "manager" of the ABF, and the IMF has agreed to allow the central banks to count the ABF bonds as part of their reserves for international requirements purposes.

### **ASEAN-Plus-3 To Begin Transfer of Dollar Reserves?**

Combined with the initiation of the Asian Bond structure, intended to pool reserves in Asian securities for development, the "Chiang Mai Initiative" report to the Asian Development Bank (ADB) Board of Governors at the June 30 meeting is expected to rapidly reduce the amount of surplus being reinvested in the United States.

Some astonishing data, quoted from Citigroup's director of investment research, Arun Motianey: The ASEAN-plus-3 countries account for 95% of the world's surplus in currency accounts; four-fifths of this surplus is sent back into the U.S.; the 13 nations hold 90% of all U.S. dollar reserves worldwide. One result is that between 30-40% of U.S. debt is held by foreigners.

### **Mexico Ordered To Make Bond Payments—Even on Fraudulent Loans**

Mexico had better not even think about reneging on bond payments to the foreign banks, even on loans that are found to be fraudulent, the *Financial Times* threatened on June 4. The *FT*'s warning was provoked by the decision issued by Mexico's Auditor-General that Banamex, Citigroup's Mexican subsidiary, should repay the Mexican government some U.S.\$ 650 million it received as part of the government's bank-bailout program, because it was paid out to back up loans which were fraudulent. The Auditor General, a post appointed by the Mexican Congress, and the three major political parties, believe that the government should not make good on bailout bonds issued to Mexican banks, in cases where the loans for which they were issued are proven to have been fraudulent, and are seeking further audits of the bank loans. Sounds reasonable, no?

Oh, no. Should this decision be upheld, the *FT* writes, it could have "sweeping consequences for the international banks that control almost 90% of the sector in Mexico." They might go bankrupt.

At issue is the \$65-\$100-billion bailout by the Mexican government of those private banks which went belly-up in 1995. The bailout was sheer robbery of the Mexican people and the nation: The government assumed the bad debt of the banks, issued lucrative bonds to the banks in lieu of that debt, so the private banks could then be sold for a song to foreign owners. A hefty portion of the profits of the now-foreign-owned banks comes from the interest earned on those bailout bonds, and they are counting on receiving even greater sums in the coming years, as those bonds become repayable—the whopping sum of nearly \$17 billion worth in 2005 alone, the *FT* reports.

Moody's Mexican bank analyst, Phil Guarco, is trotted out to threaten that if the foreign banks do not receive 100% of the money they expect to earn from these bonds, the government would be "bankrupting banks, by not making good on [its] obligations." If the banks weren't going to be paid for what was fraudulent, rating agencies would have to lower their ratings on the banks, Guarco said, because they would suddenly become under-capitalized.

Mexico's Treasury Department, headed by University of Chicago boy Francisco Gil Diaz, has no intention of harming foreign banks, and argues that this is a Constitutional issue of separation of powers. The Executive branch intends to pay, and the Congress should have no say in the matter.

### **New Argentine Government Won't Promise All IMF Demands**

Argentine Finance Minister Roberto Lavagna suggested that the Kirchner government, which assumed office on May 25, may only sign a short-term agreement with the IMF, since the current political situation won't permit imposition of the harsh reforms the Fund is demanding, *Clarín* reported on June 1. Everything will depend on the conditions the IMF sets down, Lavagna said, warning, "There is full agreement in the government on one concrete thing: We won't do anything in

which we don't firmly believe." The current agreement with the Fund expires in August.

On May 29, U.S. Treasury official Heidi Cruz, in charge of Latin America and the Caribbean, presented a list of structural reforms she said are "absolutely imperative" for Argentina to impose, and complained that "performance has lagged" in dealing with "banking and rule-of-law issues." She also said there could be two IMF agreements, one short-term and another long-term. Fernando Losada, an analyst with ABN Amro, predicted that talks between the Kirchner government and the Fund would be "rocky" and "convoluted."

Lavagna was angry in his *Clarín* interview over IMF criticism of the Argentine Congress's recent passage of legislation postponing mortgage foreclosures for 90 days. He emphasized that the timing on specific structural reforms would be determined by President Nestor Kirchner, adding that "all options are open" as to the kind of agreement that might be reached with the IMF. "Structural reforms should be done when they *can* be done," he said.

The IMF will not be pleased, either, with Lavagna's assertion that public-sector banking is "here to stay, and [will] be strengthened." Lavagna noted that state-sector banks "will have a central role to play in the process of Argentine development," although he added that public banks will have "to adapt to modern times to compete." Banco de la Nación and Banco de la Provincia de Buenos Aires are targeted for privatization by the IMF, as part of the "financial restructuring" it is demanding from Argentina.

In the past, while serving in the previous Duhalde government, Lavagna had favored schemes for partial privatization of these banks, but his public statements June 2 would appear to reflect a different stance of the new Kirchner government.

## United States News Digest

### Officials Tell Congressional Black Caucus: Put LaRouche in Debate

The LaRouche in 2004 campaign has delivered the following letter, dated May 28, to members of the Congressional Black Caucus (CBC), asking Presidential candidate Lyndon LaRouche's inclusion in upcoming CBC debates. In addition, former Rep. Mervyn Dymally of California has sent his own letter to the CBC, which he formerly chaired, with the same demand.

"We have been informed that the Congressional Black Caucus has announced plans to host a series of Presidential debates among the declared Democratic Presidential candidates. We, the undersigned, urge you to include Democratic Presidential candidate Lyndon H. LaRouche, Jr. in the upcoming CBC Institute-sponsored presidential debates.

"Mr. LaRouche was the first Democrat to announce his campaign for the 2004 election, only days after the inauguration of George W. Bush. According to the most recent Federal Election Commission report, he ranks fourth in total dollars raised (\$4 million); and he ranks first in both numbers of contributions and numbers of contributors, reflecting the broad base of his campaign. He has also raised significantly more funds in amounts under \$200 than any other candidate, reflecting the grass-roots nature of his campaign. In many states across the U.S., he ranks number one in all categories of fundraising. He deploys the largest youth movement in the country, and his campaign has distributed millions of pieces of literature to promote a Roosevelt solution to the economic crisis, and to stop the preemptive war policy of Rumsfeld and Cheney....

"The Congressional Black Caucus has often been referred to as the conscience of the Congress. The hallmark of the CBC has been the issue of fairness and inclusion. The Caucus was born out of the struggles of the civil rights movement, where people gave their lives for freedom and the right to political expression. It would be a tragic turn of events if the CBC turned its back on the achievement of that struggle. We urge you to invite Mr. LaRouche to participate in the debates now being organized by the CBC."



The letter is from Debra Hanania Freeman, National Spokesman of LaRouche in 2004, and is signed by present and former Democratic Party and elected officials: Assemblyman Mervyn Dymally, California; the Hon. Joycelyn Elders; Sen. Eugene McCarthy; State Sen. Joseph Neal, Nevada; Amelia Boynton Robinson, Schiller Institute; JL Chestnut, Alabama; Rep. J.E. "Billy" McKinney, Georgia; Dr. Abdul Alim Muhammad, Washington, D.C.; State Reps. Earle Banks and Erik Fleming, Mississippi; State Rep. Alexander Lipsey, Michigan; State Sen. Alma Wheeler Smith, Michigan; State Reps. James Thomas, Demetrius Newton, Charles Steele, and Thomas Jackson, Alabama; Mary Rasmussen, Wisconsin; State Rep. Harold James, Pennsylvania; State Rep. Howard Kenner, Illinois; State Sen. L. Louise Lucas, Virginia; State Sen. Maggie Wallace Glover, South Carolina; State Sen. Daryl Jones, Florida; State Sen. Henry Wilkins IV, Arkansas.

### **Congress Hits Ashcroft on Police-State Powers**

On June 5, in long-delayed appearance before the House Judiciary Committee, Attorney General John Ashcroft defended his policies of round-ups and detentions after Sept. 11, and demanded that Congress give him additional powers, including an expanded death penalty, nearly unlimited authority for pre-trial detention, and longer sentences.

Ashcroft's "testimony" was interspersed with lurid statements, quoting from terrorists about killing Americans, and a grim reading-out of the names of victims of the Sept. 11 attacks, the USS Cole bombing, and so on. The stated reason he wants more draconian sentences, is to use them as a means of coercing cooperation and plea-bargaining. Ashcroft complained that "existing law does not consistently encourage cooperation by providing adequate maximum penalties to punish acts of terrorism," and, "Some terrorist acts resulting in the death of citizens do not provide for the death penalty, or even life imprisonment."

But with aspects of the Patriot Act from 2001 about to expire, Ashcroft's theatrics did not convince all the Congressmen to "roll over" and approve greater police-state measures, especially in the current environment of investigations into apparent lying and disinformation from top officials of the Bush Administration in order to push through the vote on the Iraq war.

"My support for this legislation [the Patriot Act] is neither perpetual or unconditional," said the Republican chairman of the House Judiciary Committee, Rep. James Sensenbrenner to Ashcroft. He added, "I believe the [Justice] Department and Congress must be vigilant towards short-term gains, which ultimately may cause long-term harm to the spirit of liberty and equality which animate the American character."

The ranking Democrat on the Committee, Rep. John Conyers (D-Mich), lectured Ashcroft: "We've got the Constitution and the rights that are guaranteed to everyone on these shores. We've got due process. We have the great traditions that have accompanied us, and really, that separate this country from our adversaries. And when you're engaged in war, there's always this national inclination to 'Let's go get them any way we can; no holds barred.' Well, we are a nation of laws and not men. And it's in that arena that in this committee, of all the committees in the Congress, has the jurisdiction over Constitutional questions, the Department of Justice itself, the FBI, Immigration, the laws that control the entire nation. All of these things are up for reexamination, and it's no secret that there has been a lot of questions and controversy about the way some of the things have been done in the Department."

### **'Feith and Bum' Corps Press Conference Backfires**

On June 4, Assistant Secretary of Defense for Policy Douglas Feith, one of the top Jabotinskyite moles in the Bush Administration, and an author of the 1996 "Clean Break" policy paper that called on Israel to push for war against Iraq, and overthrow the Oslo Accords, tried to upstage President Bush's Middle East "Road Map" summit with an 8:30 a.m. press conference in Washington, and take the heat off the Straussian cabal that has been caught spreading lies and disinformation about Iraqi WMD and links to terrorism.



But the press conference led by Feith and William Luti, one of the "cabal's" other DOD warmongers, to defend the Office of Special Plans has backfired, fuelling more investigations into the evasive answers give at the press conference. The response of the U.S. press next day was to disdain Feith's claims, and pursue a wider investigation into how the Chickenhawks in the Bush Administration invented intelligence and misled Congress and the public to get the U.S. into the Iraq war. The environment after Feith's ridiculous appearance has been compared to what happened after the discovery of the Watergate burglary in 1972. A sampling of comments:

\*The *Washington Post* buried the Feith/Luti press conference in the middle of a story that revealed that Vice President Dick Cheney and his chief of staff Lewis "Scooter" Libby were directly involved in cooking the intelligence reports, with multiple trips to the CIA over the past year, in what was seen by CIA analysts as an effort to put pressure on them to shape their assessments to fit with the Administration's policy objectives analysts. Before joining the Straussian team at the Defense Department, Luti was on Cheney's staff.

\*The *New York Times* reported that Defense Department officials were "baffled and angered" by Feith's performance. One senior official "was too angry to answer immediately." Another said, "There was a lot of doublespeak out there." Others disputed Feith's claim that the special unit on Iraq was disbanded last August.

\*A Knight-Ridder story, published in many regional papers, cited three Administration officials saying that Feith sidestepped the real issues, such as how the Pentagon unit gave far greater credence to Ahmed Chalabi, the convicted embezzler who headed the Iraqi National Congress (INC), than did either the DIA or CIA. The INC had said that many Shiites would welcome U.S. troops as liberators, that some Iraqi military commanders would surrender their units en masse, and that postwar Iraq would be much friendlier than it's been so far.

\*The *Wall Street Journal* quotes an unnamed senior intelligence analyst: "The process was somewhat reversed—not intelligence informing policy, but policymakers going to the intelligence community to find ways to sell the policy that was predetermined."

\*The *Forward*, a national Jewish weekly newspaper, not only disputed Feith's claim that the OSP was decommissioned, but reported that the unit is *at this very time* working on a regime change in Iran.

"They are running their own intelligence operation, including covert action, and using outside contractors outside the government to do their leg work," says a former top CIA official. The *Forward* also quoted former CIA official Larry Johnson saying that the OSP is using the Iranian MEK organization, which is on the State Department's terrorist list, to pressure Iran.

### **Former Intelligence Analysts Expose Chickenhawk Schemes**

In a June 5 op-ed in the *Los Angeles Times*, two top senior intelligence analysts ask, "Who Will Believe Bush and Blair?" Former DIA analyst Patrick Lang and former CIA and State Department analyst Larry Johnson co-author the commentary, which asks, what went wrong with intelligence on WMD? Did analysts misread the tea leaves, did policy wonks slant the views of the intelligence community, or could there have been a deliberate fabrication?

They write that as veterans of previous policy battles, "We have firsthand experience with the dynamics that politicize intelligence." They give examples ranging from Vietnam to Honduras to South Africa. Preemption is a bold policy, they say, but it must depend on accurate intelligence. "If a new crisis arises in Iran or North Korea, and Bush or Blair alerts the world to the new danger, will he be believed? We can't afford to have such doubts."

## **Illinois Governor's Death-Row Commutations Affirmed**

Giving powerful confirmation to former Illinois Governor George Ryan's commutation of all 167 death sentences on the state's Death Row in January, as he was leaving office, the State Legislature May 29 gave final approval to sweeping safeguards against errors in death-penalty cases. The Legislature, which noted that the bill was necessary to restore credibility to the criminal justice system, adopted many of the changes recommended by a commission established in 2000 by Ryan, a Republican.

Following earlier passage by the House, the State Senate voted 56-3 for the bill, which will make it easier for murder defendants to defend themselves, and will give courts extraordinary powers to set aside death sentences.

"This is a revolutionary change that will be a model for other states that have the death penalty," said Sen. John J. Cullerton, Chicago Democrat, the bill's sponsor.

Aides to the new Governor, Rod R. Blagojevich (D), said he had not decided whether to sign the bill. But he has said he wants comprehensive reforms, including the audiotaping or videotaping of police questioning to protect against coercion or torture. He has not lifted Ryan's moratorium on executions.

The new legislation would prohibit executing the mentally retarded, increase defendants' access to police evidence, let judges file dissents to jury verdicts, and give the state Supreme Court new power to set aside sentences that it considers unjust. It would also increase defendants' access to DNA tests that might exonerate them. Seventeen people on the state's Death Row were released after they were found to have been wrongly convicted.

## **OSHA Ends TB Protection Rules**

The Bush Administration's Occupational Safety and Health Administration (OSHA) has proposed to end its regulations and requirements protecting public service workers in prisons, hospitals, and so on from tuberculosis, SARS, and similar illnesses. OSHA says these diseases are under control. The Administration also rationalizes that standards for health-care workers are redundant, because the Centers for Disease Control also issues guidelines.

The proposal was entered into the Federal Register May 27, in the form of advance notice that the Administration wants OSHA to drop these precautions in the fall. A storm of criticism has erupted, from the American Nurses Association, to the State, County and Municipal Workers Union, and public health experts of all kinds. Even gross statistics now show that infectious disease is on the rise.

CDC guidelines are voluntary only. Speaking for the American Public Health Association, Rosemary Sokas pointed out on May 28 how hospitals are pressured to cut costs, and infection control can easily be lost. OSHA—along with other agencies—has in the past established regulations for work conditions in high-risk locations, to safeguard workers by mandating that there be protective respirators, specially ventilated isolation rooms for infectious patients, staff training, and many other essential measures. These are precisely what is needed for SARS. Many of its victims have been health-care workers.

## **Ibero-American News Digest**

### **Nuevo Leon Campaign Draws Blood over LaRouche Issue**

Benjamin Castro, the LaRouche-associated candidate for Governor of the Mexican state of Nuevo Leon, has stirred up a hornets' nest of hysteria in response to his aggressive promotion of Lyndon LaRouche's economic policies as the only possible solution to the crisis sweeping Mexico. On the eve of his announced publication of a 24-page pamphlet on his proposed economic development program for the north of Mexico and the southwest of the United States—which features a lengthy interview with LaRouche, as well—Castro found that all party funds for his campaign had been suddenly frozen, "on orders from above."

Castro, a leader of the LaRouche-associated Ibero-American Solidarity Movement (MSIA) in Mexico, is running for Governor on the ticket of the Social Action Party (PAS). When Castro initially agreed to run on their slate, he insisted on—and received—assurances that he would in no way be pressured to suppress the ideas of Lyndon LaRouche, the currently leading Presidential pre-candidate in the Democratic Party in the United States. On June 3, however, Castro was told by PAS party officials in Mexico City that all funds for his campaign had been frozen, on the grounds that "you shouldn't mention LaRouche: he's the leader of a sect, and anyway nobody understands his ideas."

However, these elements understand the power of LaRouche's ideas very well. One of Monterrey's leading newspapers, *El Norte*, on June 2 began an Internet poll asking the simple question, "Which gubernatorial candidate will you vote for?" Within the first few minutes, Castro was leading the pack of seven candidates, with 29% of the votes. At that point, with very few votes cast, the polling computer mysteriously crashed, and the poll was never completed.

Castro's slate also includes a large number of young Mexicans, who are part of the international LaRouche Youth Movement, who are running as candidates for other state and local posts.

### **Brazil Bets on South-South Cooperation**

"We are going to intensify even more our relations with China, India, and Russia," Brazilian President Lula da Silva told journalists at the conclusion of the Group of Eight meetings in France on June 2. "The contacts I made here, were, in my opinion, of extraordinary relevance. I return to Brazil optimistic."

An explosion of South-South discussion occurred, in fact, at the Evian summit hosted by French President Jacques Chirac, as heads of state and government of developing nations used the opportunity to hold bilateral and multilateral meetings amongst themselves. The potential shift in world relations that has been created, is exemplified by Brazilian Foreign Minister Celso Amorim's report that, following bilateral discussions between the Brazilian delegation and the leaders of Saudi Arabia, Senegal, South Africa, Nigeria, Algeria, Russia, India, and China, "President Lula became very enthusiastic about the possibility of a meeting of the large developing countries, which would include China and Russia."

Lula's government is enthusiastic now about the idea of forming a kind of "G-4," made up of four "emerging powers": Brazil, China, India, and South Africa, the Brazilian daily *O Globo* reported June 3. In the view of Foreign Minister Celso Amorim, it "could be a G-4, but it could also be a G-5, or G-6."

All kinds of interesting combinations of meetings occurred in Evian. The Malaysian news agency *Bernama* reported that Malaysian Prime Minister Mahathir bin Mohamad, Algerian Prime Minister Abdelaziz Bouteflika, Chinese President Hu Jintao, and Brazil's Lula held a closed-door meeting. Dr. Mahathir also held bilateral meetings with South African President Thabo Mbeki, Russia's President Vladimir Putin, and French President Jacques Chirac. Brazilian diplomat Rubens Ricupero, the Secretary General of the UN Commission on Trade and Development (UNCTAD), who attended the Evian discussions as a special adviser to UN Secretary General Kofi Annan, reported to Brazilian newspapers that his first meeting at the summit was to be a dinner with the leaders of China, India, South Africa, and Brazil, hosted by the Swiss government on May 31.

*Folha de Sao Paulo* asserted that the Brazilian government "is making a strong bet on South-South relations," and asked Amorim if the government viewed the South-South proposals as an alternative, should trade negotiations with the European Union and the United States break down. Amorim demurred, saying the two were not counterposed, as South-South cooperation "is good in itself, and, in addition, it strengthens our bargaining power with the developed countries."

### **Brazil Hosts Unique Tri-National Foreign Ministers' Meeting**

On June 6, the Foreign Ministers of Brazil, India, and South Africa met in Brasilia. Itamaraty (Brazil's Foreign Ministry) announced on June 1 that this first-ever meeting among these countries, was envisioned as an opportunity for the ministers "to discuss their positions and perceptions" on the recent international developments, the role of the United Nations, international economic and trade negotiations, and the possibilities for strengthened cooperation on such social matters as the fight against hungers. The meeting will also "contribute to strengthen the role of the three countries, and of their regions, in the international arena," Itamaraty's statement noted.

Gilberto Saboia, Itamaraty's Under-Secretary General of Bilateral Policy, told *Gazeta Mercantil* on June 4 that no formal accord is planned to come out of the meeting. The idea, rather, is "to promote a broad discussion between the three Ministers." We are developing countries "with the possibility of taking off ... who want to have a voice on the international stage, and with important regional positions. There is a convergence of views in many areas," he emphasized.

Indian Foreign Minister Yashwant Sinha's visit to Brazil June 5-6 was the first visit ever by an Indian Foreign Minister since relations were established in 1948, after India's independence, a statement issued on May 31 by Itamaraty noted. High on the agenda for discussion, is the two country's agreement on the need to reform the United Nations, as well as trade matters. Trade between the two countries grew by 250% between 2000-02, making India Brazil's fourth-largest trading partner in Asia (after China, Japan, and South Korea). Itamaraty emphasized that the two countries are already working jointly on such high-technology areas as biotechnology, space technology, pharmaceuticals, and informatics.

See the [AFRICA DIGEST](#) this week, for details on joint South Africa-Brazil defense initiatives.

### **Paraguay Looks to South American Integration for Survival**

Paraguay's President-elect Nicanor Duarte Frutos warned at the end of a late-May visit to Uruguay, Brazil, and Argentina—Paraguay's partners in Mercosur—that "if we don't have regional integration, we'll be devoured by international financial agencies." The Argentine daily *Clarín* reported June 3 that the President-elect, who will take office in August, said that "we have to think of strengthening our region. The solution to many of our economic and social problems can be found by joining forces in the region.... We need a much more political Mercosur," one in which there is more equality among the four partners.

Duarte said that he had been very warmly received, especially by Brazilian President Lula da Silva and Argentina's new President Nestor Kirchner, and was optimistic about the future, because there "is a sense of renewal and much agreement among those of us who are just taking office." Integration for the region is crucial, he said, to avoid being "devoured." "We'll end up turning our countries into the places where surplus exports from the First World are dumped. Here, we have to build industries, incorporate more value-added to our raw materials, and have more technological development." Mercosur must integrate with the Andean Pact, and look toward a "united South America," Duarte added.

### **State of Emergency Fails To Calm Peruvian Strikes**

A general strike drew widespread support from across Peru on June 3, despite the imposition of a 30-day national state of

emergency on May 27 by Peruvian President Alejandro Toledo (see last week's [IBERO-AMERICA NEWS DIGEST](#)).

Toledo is facing a national rebellion against the IMF policy which his government has imposed upon the country. The initial strike by teachers and state health workers, was for a living wage; by the farmers, against an open imports policy which has bankrupted the agricultural sector; and by various regional civic associations and labor federations to protest an unbearable tax burden and a privatization policy that is fast stripping the nation of its most valuable resources. As the strike movement spread across the country, Toledo attempted to blunt it by offering to cancel the declaration of an emergency, in exchange for suspension of the strike declaration, but the protesters refused to back down.

Government attempts to declare the strike illegal were ignored, and on June 3, at least 30,000 Peruvians poured into the streets of Lima in defiance of the ban, while another quarter of a million workers held "pots-and-pans" demonstrations, marches, and vigils, in over 20 cities and towns around the country. The second-largest city, Arequipa, was shut down by a regional "sympathy strike," as were other regions of the country. Common to many of the marches were the chants against Toledo—even the most favorable polls find the President is supported by fewer than 14% of Peruvians at this point. "We put you in office with marches, and we will remove you with marches," shouted thousands in Lima.

### **FARC Calls for Shadow Government in Colombia**

Thwarted by Colombian President Alvaro Uribe's refusal to capitulate to pressure for peace negotiations, the narcoterrorist FARC issued a call for the formation of a "shadow government" to negotiate a power-sharing agreement with the FARC behind the back of the elected government.

In a release posted on the Internet and reported by Colombia's dailies on May 28, the FARC charged that the "illegitimacy of the current government" requires the formation of an "alternate government" with which the FARC would initiate "clandestine contact." The FARC statement, signed by Manuel "Sureshot" Marulanda and other members of the FARC central committee, proposed that "11 patriots," from the political, economic, social, labor, cultural, and religious life of the country, join forces with a FARC commandant to form this "shadow government," which would allegedly forge new policies for ruling the country, and eventually field a Presidential candidate.

The FARC's invitation is also extended to the Colombian military, whose chief, Gen. Jorge Enrique Mora, responded coolly: "The bandits are frightened.... The Military Forces have a mission, which is to defend Colombia, and we are doing this to the best of our ability." A recent poll of the Colombian people found less than 3% still willing to see the FARC as anything but terrorists.

### **Bolivian Narcoterrorist Calls for 'Refounding the Country'**

At the conclusion of the first national meeting of the so-called Popular General Staff (EMP), organized by Bolivia's most radicalized peasant and trade-union groups, narcoterrorist Evo Morales, the coca producers' Congressman who came close to taking the Presidency in the August 2002 elections, announced that the gathering had resolved to build "a multinational, pluricultural, and socialist" state, which would oppose neoliberalism.

Bolivia is in desperate economic straits because of IMF policy, and there is widespread social unrest over horrendous living conditions. But what Morales offers as an alternative echoes Venezuela's madman Hugo Chavez—a Jacobin model, based on drug legalization and "Andean values"—which will bring about the country's disintegration, all in the name of "defending the people."

Morales recommends eliminating municipal governments, confiscating "unproductive" latifundios, and creating a "new



territorial order, with autonomy for indigenous communities." He would also reform the Constitution to eliminate the Congress, and create a Constituent Assembly in its place. In a press conference following the conclusion of the EMP assembly, Morales even suggested that the EMP might itself replace the Armed Forces, to better "serve the people, not the oligarchy." He has also suggested that trade unions create armed "self-defense" committees, to better oppose neoliberalism.

Senator Enrique Urquidi of the ruling MNR Party charged that Morales's proposals seemed to lend credibility to rumors that the *cocalero* leader is linked to Colombia's FARC. In recent months, reports have circulated that members of the FARC have been in Bolivia and had ties to the coca-producers' movement led by Morales. The Bolivian government, however, finds itself in a weakened position, because it refuses to offer the population anything except more of the same IMF-dictated austerity.

### **Free Traders' Chile: No Model of Anti-Corruption**

A very close ally of Chilean President Ricardo Lagos was indicted and jailed May 26 on charges of bribe-taking. Socialist Juan Pablo Letelier, a prominent human rights activist whose father Orlando was killed in a 1976 Washington, D.C. car-bombing by the Chilean secret police, is one more of several Lagos friends and political allies who have been charged with corruption over the past few months. Hurting Chile's reputation as "corruption free," this series of scandals involving kickbacks and bribe-taking has weakened Lagos's ruling Concertacion coalition. Letelier has been denied bail in the case, in which he is charged with receiving \$25,000 in bribes.

### **Soros Agent Organizes for Parliamentary System in Mexico**

Mexico's former Foreign Relations Secretary Jorge Castaneda told a trade-union event on June 3 that the "group of 10 or 15 men and women" who are considering running for President in the next elections, in 2006, had better be prepared to push through the "institutional changes" the country requires, such as separating the functions of head of state and head of government (that is, replace Mexico's strong Presidency, which is styled after that of the United States, with a parliamentary system), introducing referenda as a way of making policy, putting through an election system requiring a second round of voting, and changing relations between the legislative and executive branches. Otherwise, future Presidents are not going to get any further in putting through "structural reforms" than former President Ernesto Zedillo and current President Vicente Fox have been able to do, he said.

Since leaving office in January 2003, Castaneda has made clear that he is actively preparing the way for his own Presidential bid in 2006, on behalf of the globalist interests which created him. Among the sponsors of Castaneda's current efforts is international megaspeculator and drug-legalizer George Soros. Castaneda, an advocate of drug legalization, was reported likely to be named head of the new Soros Foundation which Soros is said to be creating in Mexico.

### **Flooding in Argentina's Santa Fe Province Threatens Severe Health Crisis**

A dangerous health crisis has erupted in Argentina's Santa Fe province as a result of renewed flooding, causing outbreaks of hepatitis and leptospirosis. In addition to severe cases of diarrhea, there are 112 cases of hepatitis and 84 of leptospirosis. in the capital city of Santa Fe. This important agricultural province was hit with more rains and flooding over the weekend of May 17-18, following flooding 10 days earlier caused by the overflow of the Salado River. Sanitation and sewage infrastructure has been destroyed—50% of the province's territory was affected by the flooding, and many people who were evacuated from their homes have been forced to live in tents in soccer stadiums which, in the continuing rains, are breeding grounds for disease. Governor Carlos Reutemann reports the situation has become "increasingly disastrous." Losses in agricultural production and infrastructure are estimated to be at least in the \$800-million range. These losses, Reutemann said, "are not recoverable."



# Western European News Digest

## Tony Blair 'Mortally Wounded' by Iraq WMD Deceit

The Blair government is "hunkering down," to prevent a "full public inquiry" into the "Iraqi weapons of mass destruction" deceit, but, one way or another, Prime Minister Tony Blair is being "mortally wounded" by the whole affair, Cambridge University Professor Corelli Barnett commented to *EIR* this week. See [INDEPTH](#) for the full story of the revolt against Blair.

## Italian Press Cover LaRouche in Vicenza, Milan

Interviews with Lyndon LaRouche continue to appear in the Italian press, in the aftermath of his recent trip to Vicenza and Milan. On Sunday, June 1, *TeleNord* ran a 20-minute segment based on an interview conducted by Guido Colombo on May 8, 2003, which focussed on LaRouche's proposal for a new international financial system and his opposition to the Chickenhawk faction in the USA.

*Telenord* is the TV station associated with the Northern League, the political movement which once heavily pushed for secession of Italy's North from the rest of the nation, and is now a (volatile) partner in Berlusconi's governing coalition. Although the LaRouche movement has repeatedly denounced the use of the League as a means of destabilizing the nation, there is apparently a significant level of circulation of LaRouche literature among some sectors of the party, as its activists are against globalization and One Worldism, and thus interested in the role of the international financial oligarchy in the global crisis. Excerpts of the interview were also published in the right-wing Rome daily *Linea* on May 23, under the headline "The United States: a country to be re-founded: the current economic system is doomed. Here is why."

## U.S. Must Not Burn Its Bridges to Europe for Its Own Sake

Spain's *El Pais* daily carried an interview June 6 with the Director of the French Institute of International Relations, IFRI, Thierry de Montbrial, who strongly argues in favor of continuous dialogue with the U.S. and for *not* burning the bridges.

The U.S. must understand that it needs European allies, says de Montbrial. For example, the costs for the occupation of Iraq would be more daily than what they get from the daily sale of oil. It would be necessary to invest in the reconstruction of Iraq. The American people would not accept its 150,000 to 200,000 troops becoming victims of attack.

Finally, de Montbrial says, one must also see that this neoconservative administration in Washington will not be eternal. "It is much better to improve the situation in the Mideast with the help of a strong and united EU than without. The U.S. can divide us, but then they play against themselves, because this will play against them as a boomerang and they will lose allies."

## India's Prime Minister Welcomes an Expanded G-8 Summit

Indian Prime Minister Atal Behari Vajpayee welcomed French President Jacques Chirac's proposal to expand the G-8 summit to a real North-South Forum. Reviewing his talks at Evian, Atal Behari Vajpayee said that the informal extended summit discussions have been "a pointer" in the direction of a new kind of dialogue.

The Evian meeting "has created a forum of communication at the highest level between the developed and the developing world. I think this idea holds great promise for a new kind of cooperative North-South dialogue."

Vajpayee lauded Chirac for the idea to arrange such an extended discussion round at Evian, adding that it might have been inspired by realizing that continuing the usual summit format was no longer efficient, that there was a real need for discussing problems such as poverty and development between the industrialized nations and those that are still industrializing.

### **Germany's Priority Is Growth Over Cutting Budget Deficits**

German Chancellor Gerhard Schroeder told a press conference in Berlin June 4 that "even at the Commission in Brussels, they agree that in order to stimulate growth, the budget criteria of Maastricht have to be used in a flexible way."

Schroeder said consolidation of budget deficits was a very important target that no one would seriously contest, but that it was also true "at times of economic stagnation, one should not act pro-cyclically, by cutting expenses, because in periods of economic weakness, growth impulses have to be created." He added the German government was "committed to stick to the European treaties (like Maastricht) as far as possible, naturally."

### **Russia, Europe Have Become 'Strategic Partners' in Space**

Russia and Europe have now become "strategic partners" in space exploration, stated Russian Foreign Ministry spokesman Alexander Yakovenko. He made his remarks after two important space developments had taken place: On June 2, the first-ever European mission to another planet, the Mars Express, was successfully started by a Russian Soyuz rocket from the cosmodrome at Baikonur, Kazakhstan. Russian space technicians also played a key role in planning the mission. Prior to that, on May 27, the European Space Agency (ESA) decided in favor of the "Soyuz to Kourou" plan, that is, to allocate 314 million euros to build a new launchpad at Kourou in French Guyana—the launch-site for the European Ariane rocket—specially designed for the Russian Soyuz rocket.

Yakovenko noted that these two events are providing the basis for a long-term collaboration in space between Russia and the European Union. "The ESA decision is not only important for the [space-launch] project, it can also be considered a key factor in paving the way to achieving a global partnership between Russia and Europe, including prospects for creating the space transport systems of the future." European space experts as well, said Yakovenko, have welcomed the decision to boost Russo-European cooperation as "strategically justified and politically important for Europe."

Yakovenko in particular emphasized the role played by French President Jacques Chirac in promoting the "Soyuz at Kourou" plan. He said the project showed that Russia and France were set to become "strategic and commercial partners in such high-technology areas as space exploration, ... with long-term prospects in a wide range of Russo-French relations."

In a background report to these developments, *AFP* points to a radical shift in the prospects for the Russian Space Agency. Until recently it saw its funding collapsing, and it had to offer rides to the International Space Station (ISS) to Western businessmen at \$20 million a throw. But following the failure of the new Ariane 5 rocket last December, and the disaster of the U.S. Space Shuttle Columbia, the Russian government announced in April that it would allocate additional funding to build spaceships to service the ISS. On June 4, the Russian Space Agency announced that it will have at least 20 domestic launches this year.

In recent months, Russia has been increasingly developed its space cooperation with regional allies China and India.

### **Investigation into Death of Juergen Moellemann**

In an interview hours before his death June 5 in a skydiving incident now under investigation, German politician Juergen Moellemann was interviewed by *Welt am Sonntag*, giving no indication of depressive or suicidal tendencies. The interview will be run in the June 8 edition.

In that interview, he sounded like the usual Moellemann, combative, provocative, optimistic. He said health problems that were still being reported had been resolved, that his family fully backed what he was doing, and that he was indeed working on the project of a new political party. He said that the logistics and funding for such a project would have to be very carefully prepared, but by late summer 2003, the project would be ready, he hinted—not typical of someone considering suicide.

As of now, the police investigation continues into his death.

## **Russia and Central Asia News Digest**

### **Russian TV Quizzes Bush On Dollar Collapse**

Interviewing U.S. President George Bush on May 31, the Russian state television channel *RTR* started with this question: "In my country, for many people, America is associated first and foremost with the U.S. dollar.... What's going on? Is it going to stay as weak as it is now? And what's your forecast?"

Bush replied, "The policy of my administration is for there to be a strong U.S. dollar."

*RTR*: "Which is not at the moment." To this, Bush responded that policy and reality do not necessarily coincide: "Well, I understand that. And the marketplace is making decisions as to whether the dollar should be strong or not. Our policy is a strong dollar. And we believe that good fiscal and monetary policy will cause our economy to grow and that the marketplace will see a growing economy and therefore strengthen the dollar. But you're right, the market, at this point in time, has devalued the dollar, which is contrary to our policy."

### **Russian Budget Plan Assumes Falling Dollar**

The Russian Cabinet began on June 1 to deliberate on next year's Federal budget. Finance Minister Aleksei Kudrin told the session that the government's first draft assumes that the U.S. dollar will not recover during 2004; it counts the dollar at \$1.20 to the euro.

President Vladimir Putin, at a May 31 press conference during the St. Petersburg tricentennial celebration, confirmed receive Central Bank officials' remarks about holding a smaller portion of Russia's gold and currency reserves in dollars, than hitherto. Putin said that more of the currency holdings will be in euros. In the recent period of high oil prices, Russian gold and currency reserves have risen from \$11 billion to the level of \$61 billion, during the past three years.

### **Shanghai Group Summit Focussed on North-South Transport Corridor**

Russian Minister of Transport Sergei Frank addressed the participants of the Shanghai Cooperation Organization summit on May 29. "The summit is focussed on the issues of transport of Asian commodities to Europe. The Minister's report was dedicated to the development of the North-South transport corridor, designed to provide continuous transit of container cargo from Asia to Europe. One of the largest European transport consortiums, Eurogate, has already joined the project, which is supposed to involve over \$300 million in foreign investment," reported *eatu.org*.

Eurogate, a merger of Eurokai and Bremer Lagerhaus Gesellschaft (BLG), is going to purchase a 26% stake in the consortium of companies controlling transit through St. Petersburg Seaport, Ust Luga Port (Leningrad Region), and Olya Port (Astrakhan Region on the Caspian Sea), from its Russian owner—National Container Company, co-established by First Quantum and Severstaltrans.

There were also Russia-Europe transport deals finalized around the St. Petersburg tricentennial summit. On May 23, Frank signed a long-term agreement with German investors concerning development of container terminals in the ports of Ust Luga (Leningrad Region), St. Petersburg, and Arkhangelsk. The container terminals are going to be opened by 2007. From the Russian side, the terminals will be owned by the recently established Rosmorport State Company.

### **Iran, Uzbekistan and Afghanistan Discuss Transport**

Representatives of the three countries signed a draft agreement in Tehran on June 2, establishing a road link from Iran to central Asia via Afghanistan and Uzbekistan. Iranian Minister of Roads and Transport Ahmad Khorram, Uzbek Deputy Prime Minister Elyor Ganiev, and Afghan Minister of Public Works Abdul Ali declared their commitment to build the "Rahgozar" corridor.

This will link Iran to Uzbekistan via Herat, Badgis, Jouzghan and Balk, the Afghan minister explained. In addition, the Iranian announced that his country has decided to establish a rail link "from Torbat Heidarieh, in the eastern province of Khorassan, to Afghanistan's Sangan and Herat," *IRNA* reported. Khorram added, "This project will also link neighboring Afghanistan to the high seas as well as to Central and Northern Europe.

In this context, Uzbek President Karimov will visit Iran for three days, beginning June 17. He will meet with President Khatami as well as with Afghan President Karzai, who will be there at the same time. "Road transportation will top the agenda of talks between these officials," *IRNA* noted. Karimov reportedly will sign an agreement with his counterparts, for building a road from his country, which is landlocked, to the Persian Gulf.

### **Chinese President Wants Increased Trade with Kazakhstan**

Visiting Kazakhstan June 3 en route home from his meetings with Russian and Central Asia leaders in Moscow and St. Petersburg, Chinese President Hu Jintao voiced his commitment to greatly increased trade between the two countries. There will be a focus on oil deliveries from Kazakhstan to China, as well as other energy sector cooperation under a program running until 2008. Hu pledged to double bilateral trade to \$5 billion per year, up from \$2 billion in 2002. The Chinese President also invited Kazak industries to invest more in China, especially western China, whereas Chinese firms also planned to increase investments in Kazakhstan, notably in the natural gas and crude oil sector, in coming years.

Besides the long-term prospects for enhanced bilateral economic cooperation, Hu Jintao and Kazakhstan's President Nursultan Nazarbayev discussed their cooperation on the international political stage, through the Shanghai Cooperation Organization (SCO). Both leaders stressed that developing the SCO is a factor of global, as well as regional stability, because of Central Asia's geopolitical location.

According to Kazak wire services, Hu Jintao briefed Nazarbayev on China's plans for industrial and infrastructure development in its western regions, pointing to the importance of building a modern transport link between Asia and Europe, via China, Kyrgyzstan, and Kazakhstan (the project for a southern Eurasian corridor route, as distinct from the Trans-Siberian corridor in the north).

### **Russia To Continue Peaceful Nuclear Technology Cooperation with Iran**

Russian Foreign Ministry spokesman Alexander Yakovenko said on June 5 that it was "actively pushing" for Iran to sign an additional protocol with the International Atomic Energy Agency, which would grant the UN nuclear watchdog broader access to Iran's nuclear sites and information. However, Iran has no legal obligation to accept stricter controls, and its failure to do so won't hinder its contract with Russia for a light-water reactor in the southern port of Bushehr, Yakovenko said. "The protocol is an agreement that is signed on a voluntary basis," Yakovenko told reporters.

Iran's ambassador to Moscow, Gholamreza Shafei, told a news conference that Russia had given assurances that the Bushehr contract was not linked to signing the protocol.

The statements apparently contradict British Prime Minister Tony Blair, who said a day earlier that Russian President Vladimir Putin had pledged not to supply any nuclear fuel to Iran until the government in Tehran agrees to closer IAEA supervision of its nuclear program. Yakovenko said Thursday that Moscow would supply uranium fuel for the Russian-built reactor in Bushehr only after Iran signs an agreement to ship the spent nuclear fuel back to Russia, as has been under negotiation for many months. Russian Atomic Energy Minister Alexander Rumyantsev said earlier last week that Iran was ready to agree on this, calling the delay so far in formalizing the arrangement purely technical, and due to the need to coordinate with Russian government agencies. Rumyantsev also said that the Bushehr reactor is now set to begin operating in 2005, although Iranian officials have said they expect the reactor to come on line later this year.

During a press conference at the Evian summit of the Group of 8, President Putin himself made the additional point that Russia does not want to see alleged weapons non-proliferation concerns exploited for the purpose of undercutting Russian companies, involved in developing peaceful nuclear technologies in Iran.

### **Russia and Iran Invite U.S. To Help Build Nuclear Power Plants in Iran**

In separate press statements on May 30, the Atomic Energy Minister of Russia and Iran's Foreign Minister invited the U.S. and other Western nations to participate in Iran's nuclear energy program. Noting that Russia is building only the first of a possible six nuclear reactors at Bushehr, Alexander Rumyantsev told *Tass* that there is "enough room for everyone." What better way for the U.S. to assure itself that Iran's nuclear program is for civilian purposes? "We have made this proposal to our American colleagues several times during discussion on the expert level, and they have been saying they need to think about it," said Rumyantsev.

In his Tehran press conference, Kamal Kharrazi said that by 2020, Iran plans to have 6,000 MW of nuclear generating capacity on line. "Russia has helped us a lot to build the Bushehr nuclear power plant to produce electricity," he said. "Western countries can also participate in tenders we are planning to offer for the construction of more nuclear plants." If Iran were afforded access to the latest nuclear technologies (which it is entitled to under the provisions of the Nuclear Nonproliferation Treaty, which it signed in 1970), Kharrazi stated, and sanctions were lifted, Iran would sign additional protocols to the Nonproliferation Treaty.

Also on May 30, IAEA director Mohamed ElBaradei told *CNN* that although Iran's uranium enrichment facility in the city of Natanz could conceivably be used to produce weapons-grade material, "building these facilities does not automatically means this is a weapons program, because they can have peaceful applications in a nuclear program dedicated to producing electricity." Although the Bush Administration has been lobbying the IAEA to declare that Iran has an advanced nuclear weapons program before they even meet to review their data, ElBaradei said the IAEA is continuing its inspections of Iran's nuclear facilities and will issue a report in the middle of June.

### **Russia Demands Investigation of Israeli Nuclear Weapons**

The Russian representative, speaking at the meeting of the Nuclear Suppliers Group held in May in Pusan, South Korea, presented a report on the nuclear weapons in Israel's possession, and demanded that this matter be addressed. As reported in the Israeli newspaper *Ha'aretz* of June 2, this demand was made while the U.S. was demanding an end to nuclear cooperation between Russia and Iran. The Russian representative declared that Israel represents a greater threat to the Middle East than Iran.

The Nuclear Suppliers Group represents 40 industrialized countries, and was set up to monitor leakage of nuclear technology that could be used for developing weapons. Meanwhile, U.S. Undersecretary of State for Arms Control John Bolton will be travelling to Israel next week to discuss U.S. efforts to halt Iran's nuclear program.

### **Bush and Putin Reaffirm Space Cooperation**

Despite tensions on issues ranging from the Iraq war and reconstruction to Russia's nuclear cooperation with Iran, Presidents Bush and Putin issued a joint statement on U.S.-Russian cooperation in space on June 1. The U.S. Administration is well aware that, with the U.S. Shuttle fleet currently grounded, the very survival of the crew aboard the International Space Station (ISS) is wholly dependent upon Russian transport and resupply capabilities.

Referencing the loss of the Space Shuttle Columbia, the statement says the two nations "have persevered despite tragedy and adversity." It continues, "We confirm our mutual aspiration to ensure the continued assembly and viability of the ISS ... relying on our unprecedented experience of bilateral and multilateral interaction in space." It states that the U.S. "is committed to safely returning the Space Shuttle to flight, and the Russian Federation is committed to maintain our joint American astronaut and Russian cosmonaut teams on board the ISS until the Space Shuttle returns to flight."

### **Glazyev Becomes Co-chairman of 'Russian Regions'**

In line with his stated intention of creating a broad-based Russian patriotic electoral coalition, economist Sergei Glazyev on May 30 accepted election as co-chairman of the Russian Regions Party. Glazyev was elected to the Duma on the Communist Party slate (although not a member), and already co-chairs the People's Patriotic Union electoral umbrella. CPRF leader Gennadi Zyuganov has announced that Glazyev will be Number 2 on the CPRF slate in the next elections. At a May 19 conference of the People's Patriotic Union, Glazyev stressed that the PPU must broaden its base, in order to seriously aspire to power, instead of being an impotent, token opposition.

It was also rumored in early June that Glazyev will be drafted to run for Governor of Murmansk Province, a possibility he does not rule out.

### **'Oligarchical Coup' Already Happened, Says Glazyev**

In comments posted on his web site, Russian economist Sergei Glazyev commented with irony on the current "hot story" in Moscow, namely that a creeping "oligarchical coup" is in progress. The story was launched at the end of May, with the dissemination of a study by a think tank called the National Strategic Council. At least one of its authors, according to Moscow sources, is a pawn of Boris Berezovsky—the ambitious moneybags now cooling his heels in exile in London. The scenario suggested that financial magnates such as Mikhail Khodorkovsky, head of Yukos Oil, were planning to use President Putin's desire for a parliamentary majority-based government, to install one of their own—possibly Khodorkovsky—as Prime Minister.

Glazyev commented that an "oligarchical coup" already took place in 1993, when Boris Yeltsin abolished the Constitution and the Parliament in order to suit the demands of international financial institutions.



# Mideast News Digest

## Hamas Cuts Talks With Abu Mazen, Citing Israeli Attacks

The Palestinian Islamic group Hamas announced it was breaking off talks with Palestinian Prime Minister Abu Mazen (Mahmoud Abbas) on ending attacks on Israelis, Haaretz reported on June 6.

"The dialogue has ended," said Abdel-Aziz al-Rantisi, a top Hamas official. He told *Reuters* that Abu Mazen had made unacceptable commitments at the U.S.-led summit with Israel in Jordan last Wednesday. "Abu Mazen has stopped the dialogue when he committed himself to some issues not accepted by Hamas and [tha] will never be accepted by the Palestinian people."

Hamas spiritual leader Sheikh Ahmed Yassin said Abu Mazen failed to mention the return of refugees and other key issues. "This is our choice and we have no alternative. Resistance will continue. The Israeli enemy continues its raids and they assassinated two people in Tul Karm" (referring to two men killed earlier in the day).

The Israelis killed the two Hamas men when they surrounded the house they were in and demanded they come out. When they refused, the Israelis stormed the house, a move that was an obvious operation to kill the men as part of a targeted assassination. The attack occurred precisely when the Israelis knew the peace talks were taking place. Sharon has said he is demanding Abu Mazen crush Hamas, something the latter cannot and will not do, since it would create a civil war.

Nabil abu Rudeineh, an adviser to Palestinian President Yasser Arafat, said that the killing of these men indicated that Sharon's government has resumed its policy of assassinations, and is not interested in implementing the Road Map. Rudeineh demanded that the international Quartet (U.S., Russia, EU, and UN) recognize Israel's responsibility for the attempt to escalate the violence.

## U.S. Official Calls Hamas 'Enemy of Peace'

White House spokesman Scott McClellan denounced Hamas, saying it "is an enemy of peace and we will continue working with all parties to try to achieve peace." He went on to say, "All parties agree that terrorism must end and that all parties have responsibilities to fight terror, and do everything they can to dismantle the infrastructure of terror."

This statement is apparently in response to the killing of two Hamas members by the Israelis, which is being cited by Hamas as one of the reasons they are breaking off talks with Palestinian Prime Minister Abu Mazen (Mahmoud Abbas). The killings were also denounced by the Palestinian National Authority as an attempt by Israel Prime Minister Ariel Sharon to escalate the violence.

## Blix Confirms No WMD Found in Iraq

Hans Blix, who retires from UNMOVIC on June 30, presented the 13th quarterly UNMOVIC report to the UN Security Council, in which he stated: "The Commission has not at any time during the inspections in Iraq found evidence of the continuation or resumption of programs of weapons of mass destruction or significant quantities of proscribed items—whether from pre-1991 or later."

Earlier inspections by UNSCOM, he noted, found and destroyed "actual weapons and agents" in the "early years." In fact,

he writes, "the weapons that were destroyed before inspectors left in 1998, were in almost all cases declared by Iraq and that the destruction occurred before 1993 in the case of missiles and before 1994 in the case of chemical weapons."

As for Iraq's biological weapons program, it was uncovered by UNSCOM in 1995, and thereafter "only a few remnants of the biological weapons program were subsequently found." The Iraqis asserted they had destroyed them in 1991, before the first Gulf War—a claim UNMOVIC was pursuing as "unaccounted for" items just before they were pulled out on May 17. "During the last month and a half of our inspections, the Iraqi side made considerable efforts to provide explanations and begin inquiries and to undertake ... excavations." But, "we did not have time to interview more than a handful of the ... persons" who took part in the claimed destruction of the biological and chemical weapons, preventing the verification of the claim.

It is on this last point that Blix, diplomatically, entered the fray over the current "doctored intelligence" flap. "There remain long lists of items unaccounted for—but it is not justified to jump to the conclusion that something exists just because it is unaccounted for."

Responding to a reporter's question on the failure to find weapons of mass destruction by the United States and United Kingdom, he quipped, "They have not found very much so far. We did not find very much. In fact, when you look back over the years, very little has been found since '94. And what was found before that period was largely either declared ... or it was in sites declared by Iraq."

### **IAEA Inspectors Allowed Back into Iraq**

A team of seven International Atomic Energy Agency (IAEA) inspectors are being allowed back into Iraq by the U.S., but with an extremely limited mandate: to simply inventory and secure nuclear material at the storage site at Iraq's main nuclear facility, the Tuwaitha Nuclear Research Center. They are not permitted to enter the Tuwaitha complex itself, nor allowed to measure environmental contamination or look into reports of radiation sickness in nearby residences. They cannot go to any other nuclear site in the country.

The only reason the IAEA is being permitted to send this mission, is that the Agency made an international scandal over the fact that the coalition occupiers had not secured the Tuwaitha nuclear site from looters, despite repeated warnings to do so, and so desperate Iraqis had taken empty but nuclear-contaminated barrels to serve as storage containers for such basics as milk. There were more than 500 tons of natural uranium and 1.8 tons of low-enriched uranium stored at Tuwaitha, but Tuwaitha holds only 400 of the more than 1,000 radioactive sources which exist in Iraq.

### **U.S. Forces in Iraq Arrest Badr Brigade Members**

U.S. forces in Iraq announced on June 5 the arrests of 20 members of the Badr Corps militia, who had been detained on May 21 in connection with at least one rocket attack on U.S. forces. The London *Financial Times* noted on June 6th that this "is the first time the U.S. has publicly linked the Badr Corps and its mother organization, the Supreme Council for the Islamic Revolution in Iraq (SCIRI), to anti-American violence. Nine U.S. soldiers have been killed in Iraq in the past 10 days, in attacks that have been blamed mostly on former members of Saddam Hussein's Ba'ath Party and members of the Sunni minority."

"According to a spokesman from the 4th Infantry Division, those arrested were linked to 'planning, supporting, financing and executing at least one RPG [rocket propelled grenade] attack on U.S. forces, and are suspected in several others.'"

The paper says the announcement is likely to hamper talks between the United States and the Iraqi opposition groups,

among them SCIRI, about the formation of an interim administration.

## **Two Former Weapons Inspectors Expose Lies and Bluff**

In an interview published June on 6 in the Swiss daily *Le Temps*, former UN weapons inspector Scott Ritter said that President Bush and Prime Minister Blair should "have the courage to be held responsible" for telling lies to the public, to get it to back the war against Iraq. They should "admit their lies." Saddam Hussein could not have destroyed weapons of mass destruction "without leaving traces," he said, and U.S. Defense Secretary "Donald Rumsfeld has furnished no proof of their supposed destruction, just as he has never furnished the slightest proof of their existence."

Similarly, in the June 7 issue of the German weekly *Der Spiegel*, former German UN weapons inspector Peter Franck says that all of the evidence was "a big bluff," and a show for the American public. Secretary of State Colin Powell relied on satellite images for intelligence, which could be interpreted in different ways, and were found to be false when the inspectors actually visited the sites.

## **Tribal Leaders Filling Iraq Power Vacuum**

Recent news coverage of the situation on the ground inside Iraq has highlighted the role of indigenous tribal leaders in filling the power vacuum that emerged, following the overthrow of the Saddam Hussein regime. The British news service *Reuters* published a June 5 report on this phenomenon. "There is chaos everywhere, but our militias can restore law and order," said Shekh Dhari Faleh, a 70-year-old chieftain. Other tribal chiefs cited, are being called upon by the population, to retrieve looted goods and restore order. "The Americans have failed to establish law and order," said one, "so the people resort to the sheikh of the tribe. Even Saddam encouraged a role played by the tribes. Under Saddam, tribes helped to solve 60% of people's problems," he said.

According to tribal leaders, there are 700 different tribes in Iraq, made up of thousands of clans, and they make up 80% of the population.

The Coalition Provisional Authority (CPA), the U.S. and U.K. occupying forces, say tribal support is vital to reduce hostility to them, and to provide a counterbalance to the power of religious leaders.

Analysts say the tribal structure is not conducive to democracy. "A sheikh is a sheikh by birth," said one political analyst named Saadoun al-Duleimi. "There are no elections and no democracy in a tribal structure." He added, "It's unfortunate that the Americans are encouraging tribes as political entities, because they will only create a power struggle between the chieftains, each of whom believes he is more qualified for leadership." He said also that tribal leaders were less influential than religious leaders, especially among the Shi'ites.

Many tribal leaders oppose the occupation, and all have refused to give up their weapons, considering it a question of honor.

## **Powell: No War With Iran**

In an interview with Italian TV *Canale 5* aired June 3, Colin Powell was asked if Iran was next in the "war on terror." "This is much, much overblown in the media," Powell said. "Iran is a state that we are concerned about. It is a state that has supported terrorism. It is a state that has programs underway that could lead to the development of nuclear weapons. That should be of concern to all of us. But we believe there are ways to deal with Iran. Iran has a population that clearly is not happy with its political leadership, not happy with its religious leadership, and we believe that there are pressures inside

Iran. We will do what we can to talk to the Iranian people, and let them know that they really should be thinking about the 21st century globalized world that is waiting for them when they open themselves up, when they get rid of the support of terrorism, when they eliminate any programs that might develop a nuclear weapon.

"But the United States is not looking for wars to go to. This is a popular perception I run into, particularly in Europe. We don't need wars. The United States has never looked for wars, but we have not stepped aside when conflict came our way and we couldn't avoid it. We have not stepped aside when the obligations that we have as Americans, said we have to come rescue a people, whether it was coming to Europe twice in the last century during World War I and World War II to rescue Europe, or whether it was to go to Kosovo to rescue Albanians, or to go to Afghanistan to rescue a nation from the Taliban and al-Qaeda, or whether it was to go to Kuwait to rescue the Kuwaiti people from an invading Muslim army, the Iraqis."

Nevertheless, Powell's comments also reflect what seems to be the Administration policy, of avoiding "engagement" with the Iranian regime, but encouraging pressure "from the base," in the hope that sometime in the future, the Iranian people will revolt.

### **UN Diplomat Says Iran Not in Serious Breach of NPT**

Under tremendous pressure from the United States to find Iran out of compliance with the Nuclear Non-Proliferation Treaty, to which it is a signator, one unnamed United Nations diplomat leaked, on June 6 to major international wire services, that the June 16 report the International Atomic Energy Agency will present to its Board of Governors will find Iran failing to comply with its nuclear safeguards agreement, but that the incidents are minor, and that Tehran is taking steps to rectify it. The safeguard agreements of the IAEA are supposed to ensure that nuclear material is not diverted. Only small amounts of material in Iran were not accounted for.

### **U.S. Had Proposed That the Shah Build Nuclear Plants**

"It was the United States that proposed to the former regime of the Shah of Iran to build nuclear power plants," said Iran's Foreign Ministry spokesman Hamid Reza Asefi, attacking the pretext that Iran has oil and so doesn't need nuclear energy. Asefi declared, in an *AFP* interview June 2, that the Americans should come into Iran and help build Iran's nuclear power stations, if they are truly worried about nuclear weapons programs.

## **Asia News Digest**

### **Wolfowitz Uses Asian Tour To Threaten North Korea**

Speaking at the Asian Security Conference in Singapore May 31, U.S. Deputy Secretary of Defense Paul Wolfowitz demanded that multilateral pressures be intensified on North Korea, including the threat of economic sanctions. North Korea "is teetering on the edge of economic collapse," Wolfowitz told the conference attendees. "That, I believe, is a major point of leverage." He then stated that North Korea's neighbors who, have been aiding it economically—an implicit reference to China—"need to send a message to North Korea that they're not going to continue doing that if North Korea continues down the road it's on." But Cho Soon-sung, a senior adviser to the South Korean ruling party, told *AP* that "we should not cut off economic aid. There is a humanitarian problem: the people in North Korea are starving."

During his stopover in Seoul June 1, Wolfowitz announced an \$11-billion plan to beef up U.S. military preparedness in South Korea, and continued to make bellicose statements on North Korea, arguing that the "enemy ... keeps adapting, keeps looking for our weaknesses, to try to exploit them. We have to keep adapting and fixing our weaknesses and exploiting the enemy's." Those "weird people up north," he blustered, don't have the advantage. "Time is on our side."

Immediately following his visit, a war plan was leaked to the press, while an official decision was taken to reposition U.S. troops in South Korea, which coheres with the leaked war plan. The U.S. and South Korea issued a joint statement announcing the intention to remove 15,000 U.S. troops based along the DMZ border region with the North. The South Koreans have previously asserted, unofficially, that to make this move now has the appearance of getting U.S. troops out of harm's way in preparation for a U.S. assault on the North, which the South totally opposes. The move to a site south of Seoul will not be immediate; it will take about two years to complete. Wolfowitz, however, said on June 2 in Seoul that "it is not something that should wait until the nuclear problem is solved." There will also be a move of 6,000 of the 7,000 U.S. troops who are based in Seoul, to a location further south.

At the same time, *Reuters* reported a leak from unnamed "U.S. officials," that a new plan has been developed to "bypass the demilitarized zone ... by the consolidation of the U.S. and South Korean forces in two areas away from the DMZ. If war broke out, the forces would skirt the DMZ and head for Pyongyang." *Reuters* said the plan is "based on the success of the U.S.-led forces in Iraq in quickly reaching Baghdad."

### **U.S. Congressional Team Visits North Korea**

Representative Curt Weldon (R-Pa), the vice-chairman of the House Armed Services Committee, led a bipartisan team on a three-day visit at the end of May to North Korea, announcing afterwards that Pyongyang is open to a solution to the crisis over their nuclear-weapons program. He said North Korean officials "admitted to currently having nuclear capability and weapons, ... to having just about completed the reprocessing of 8,000 rods, ... and to an effort to expand their nuclear reproduction program [as] a response to what they saw happen in Iraq, with the U.S. removing Saddam Hussein from power."

Weldon nonetheless said that he believed we have a "window of opportunity" to solve the problem, and that the North Korean officials responded positively to his proposals, which, according to the Korea *Herald*, included "setting up a natural gas supply to the North from Russia," as well as medical aid and economic investments. It was not an official delegation, but the State Department was aware of it before its departure, and the delegation will report back to the Administration on the talks.

### **Japan, China Try for U.S-North Korea Talks**

Meeting in St. Petersburg May 31, Japanese Prime Minister Junichiro Koizumi and Chinese President Hu Jintao committed themselves to bringing the United States and North Korea to the negotiating table, apparently steering clear of the issue of intensifying pressures against North Korea. Following the meeting, Koizumi told reporters that "the discussions were not about stricter measures or anything specific." The Chinese government has been vocal in its opposition to using economic sanctions against North Korea. Hu reportedly briefed Koizumi on talks that took place in Beijing last month between the U.S. and Pyongyang, and State Councillor Tang Jiaxuan said that "the most important point is how to continue the Beijing talks as soon as possible. The Japanese side expressed their willingness to take part." Both leaders also agreed to visit each other's countries.

### **High-Level Indian Talks with Russia and China**

In the wake of a May 30 meeting between Indian Prime Minister Atal Behari Vajpayee and Russian President Vladimir Putin in Moscow, experts of the Russian Security Council and the Indian National Security Council were to meet in the Russian capital June 3-5. The agenda ranged from issues of international and regional security, to aspects of the fight against terrorism.

And, for the first time ever, senior officials of the Indian and Chinese foreign ministries will convene soon, for a policy-planning discussion of international and regional hotspots. As Chinese Foreign Ministry spokeswoman Zhang Quiye said in Beijing on June 2, both countries share similar or even identical standpoints on many international issues, as developing nations and as neighbors. The new high-level planning sessions will boost good relations between China and India, also from the perspective of common development, the spokeswoman said.

The Indian Prime Minister is expected to make his first official state visit to Beijing at the end of June.

### **East Malaysia To Supply Electricity to Power-Starved Indonesia**

Indonesia's state-owned electric company PLN will team up with two electric companies in Malaysia's Sarawak and Sabah states, PLN general director Edi Widiono said on May 2. The Sarawak Electricity Supply Corp. (Sesco) and Sabah Electricity Board (SESB) will supply power stations in Indonesia's West Kalimantan province and Sumatra island, respectively, Edi said, during a meeting of officials from Southeast Asian electricity companies.

Sesco will supply power stations in West Kalimantan beginning fiscal year 2006-07, and SESB will supply power stations in Sumatra starting 2008, he said. PLN wants to buy at least 50 megawatts of power from Sesco during the initial stage, Edi said.

Indonesia has had little success in getting Western firms to build power plants, even those that had been started before the Asian crisis in 1997, without pledging impossible conditions. Parts of East Java province suffered rolling blackouts last week.

### **France Offers To Build Asia's Longest Bridge in Penang**

The Malaysian government is studying a French company's proposal to finance and build Penang Island's second bridge to the mainland. Works Minister Datuk Seri S. Samy Vellu said the new proposal would cost more than \$630 million.

"We have received a new proposal from a French company that has cooperation with a local company to build the bridge, after the Japanese government failed to provide the \$1.4-billion soft loan," he told reporters June 2. He said that the government could repay the loan through revenue generated from toll collections. The four-lane second bridge, spanning about 20 km, will be the longest in Asia, and is expected to ease traffic flow on Penang Bridge, which handles about 100,000 vehicles daily.

### **France and Thailand Plan Mekong Development Project**

Thai Prime Minister Thaksin Shinawatra's visit to France in May launched an ambitious process of cooperation to build up the economies of Thailand's poorer neighbors, according to the June 3 *The Nation*:

"The joint plans, expected to be wrapped up by the end of the year, included a French reaction to the Thai Prime Minister's concern about the gap in economic relations between Thailand and its neighboring countries in the Mekong region," *The Nation* said. "Here, Laos, Cambodia, and Burma are poorer, and export workers to Thailand. France, with historical ties in Indochina, is suggesting that there should be joint Franco-Thai investment in the three Mekong countries as a step-up development initiative. It has since sent representatives from a French development agency to follow up on the Paris initiative. This is in recognition of Thailand as a hub and engine for regional development in areas such as agriculture and agro-industry, transport and infrastructure, automobiles, energy, telecoms, environment, tourism and human resources development. A French energy agency is already partnering the Electricity Generating Authority of Thailand in the



development of the Nam Theun II dam in Laos."

## **Myanmar Faces Another Social Crisis**

Violence between Myanmar (Burma) opposition leader Aung San Suu Kyi supporters and government supporters led to Suu Kyi's arrest May 30. The violence in the north, during a tour of the region by Suu Kyi that day, left at least four dead and many wounded, including possibly Suu Kyi, with a reported head wound. She and 18 of her party leaders are under arrest in Yangon, and National League for Democracy (NLD) offices have been closed across the country. University openings, scheduled for this week, were postponed. Protests are pouring in from around the world. Malaysia's Razali Ismail, the UN special representative to Myanmar, intends to proceed with his scheduled visit to Myanmar on June 6, and may be able to diffuse the crisis.

Government officials report that they are trying to prevent the outbreak of mass violence like that of 1988, and are unlikely to hold the NLD leaders for long.

## **Ismail Khan Sent Tax Money to Afghan President Karzai**

Afghanistan's biggest warlord and Governor of Herat province, Ismail Khan, has sent \$20 million, collected from customs duties and other taxes, to President Hamid Karzai. The significance of this event is the expression of Iranian goodwill toward the U.S.-backed Karzai, since Herat is the place where Afghan Shias are centered. The entire province, including Ismail Khan himself, is under Tehran's influence. Most of Afghan imports come from Iran (since the Pakistan-Afghanistan borders is in shambles following the U.S. takeover of Kabul) and the duties are collected by Ismail Khan. Early this year, President Karzai had visited Herat and pleaded to Ismail Khan for revenues. The fact that Khan complied is seen as indication that Tehran is keen to help Karzai and to keep the Taliban out of the way. This policy of Tehran is supportive of Washington's overall policy towards Afghanistan.

## **FBI's Mueller Is Hunting al-Qaeda in Pakistan**

FBI Director Robert Mueller sought the active cooperation of Pakistan in setting up a permanent FBI intelligence system in Afghanistan during his one-day trip on June 3 to Pakistan, *The News* reports. The purpose of this intelligence unit will be to monitor and rout al-Qaeda members in Afghanistan. The *News* claims that Mueller has also urged Pakistan's intelligence agencies to cooperate with the United States in monitoring Taliban and al-Qaeda activities along the Pakistan-Afghanistan borders.

Mueller's visit is a clear sign of growing American uneasiness about the political developments in Pakistan's Northwest Frontier Province (NWFP), where the Mullah-Raj under the Majlis e Muttahida Amal (MMA) has taken control. MMA has announced a Taliban-style dress code for all, and has implemented the controversial *Shariah* (Islamic law) as the law of the state. MMA has also announced that any "foreigner" (read: Arab al-Qaeda) who has a legitimate visa to enter Pakistan will be provided full protection by the state government. NWFP is already thick with the Taliban and al-Qaeda members.

As a sop to permitting the creation of a permanent U.S. intelligence unit, Washington has offered Islamabad a significant steady source of income if Pakistan sends troops to Iraq. Pakistan is presently weighing the offer.

## **Abu Sayyaf Firefight Precedes Visit of Admiral Fargo**

Less than two hours before Adm. Thomas B. Fargo, Commander of U.S. forces in the Asia Pacific region, arrived in Zamboanga in the southern Philippines province of Mindanao, one Filipino Marine and 11 other soldiers were wounded in

a gun battle with terrorist Abu Sayyaf gang in nearby Mt. Bagsak. When he arrived, Fargo was taken to military headquarters to meet with Armed Forces Chief Gen. Narciso Abaya, and Southern Command chief Maj. Gen. Roy Kyamco. Fargo was in Zamboango for three days to prepare for this year's Balikatan 03, the joint U.S./Philippine live combat military "exercises" in Abu Sayyaf territory.

Separately, however, Philippines Defense Secretary Angelo Reyes, after meeting with Adm. Fargo, went out of his way to impress upon reporters, "The Philippine situation doesn't change: no permanent basing of U.S. forces here. The U.S. is aware of our Constitutional constraints; no permanent basing of troops." He added that Fargo had discussed "creative, innovative ways of cooperation, new ideas in light of the new terrorist threat."

National Security Adviser Roilo Golez added that redeployment of U.S. troops may happen in other parts of Asia, but not in the Philippines.

### **Malaysian Prime Minister Calls for Eurasian Land-Bridge**

Speaking at the Ninth Nikkei Conference on the Future of Asia in Tokyo on June 6, Malaysian Prime Minister Dr. Mahathir bin Mohamad addressed the need for Asia to participate in the Great Eurasian Land-Bridge, connecting Asia with Europe by rail. The Eurasian Land-Bridge program is widely associated with Lyndon and Helga LaRouche, who began promoting the policy a decade ago.

"Physical communication in terms of roads, railways, ports, and airports never fail to stimulate the growth of a country," he said. "For land-locked countries, the most important infrastructure is the railways. Just as ships are designed to carry the enormous amount of fuel and freight, the railway system should be similarly designed. We know that in Europe huge trucks move huge amounts of goods and food to every corner from every corner. For Asia, roads are too expensive. The rail system is far better. Our vision in Southeast Asia is to be able to send heavy goods by rail from Singapore to Europe via Kunming in China, Central Asia, and on to the existing railway system which links it to Europe. It will be an alternative to sea transport and it can be faster. Asians can do all these things. It will not be easy of course, but it will not be impossible. Much time will be needed, but there are sufficient funds in Asia for these to be implemented."

## **Africa News Digest**

### **Mbeki: EU Pledged To Fund African Water Projects**

Although most aid agencies and NGOs are claiming that absolutely nothing came out of the G-8 meeting, President Mbeki, in his report-back meeting, spoke of new European Union funding for African water projects for which Africa must now gear up, so that it can put the money to use. He said "the EU alone" has set aside \$1.17 billion (U.S.) a year to deal with water problems of the African continent. He noted this is in addition to the water programs that the EU already has in Africa. "We must be able in each of our countries to say this is our water development program. These are the resources we are putting in," he said. He noted in passing that in South Africa, water pumping schemes came to a standstill because generators broke or were not refuelled, adding that if this is true for South Africa, "you can imagine what happens in other countries less developed than this one."

The African Development Bank announced June 4 a Water Initiative for the continent to supply rural water and sanitation. This initiative would need an investment of \$10 billion up to 2015.

Mbeki said that New Partnership for Africa's Development (NEPAD) clearly needs a body to help ensure that projects are put into practice. He said the structure was needed to be able to inform countries, for example, how much money was

available to develop water resources and monitor progress. Mbeki claimed that it will be a complex matter to integrate and coordinate the aid that was agreed upon.

On other matters such as the debt, clearly nothing was achieved. Senegalese President Abdoulaye Wade noted that in the 40 years that the debt question had been brought up by world leaders, "nothing has moved," and it certainly didn't move in Evian.

### **African Finance Ministers Denounce IMF**

It was "a long day of attacks on the IMF's Africa policies by the assembled African Finance Ministers and Ethiopian President Meles Zenawi," according to *AllAfrica.com*. It was the June 1 meeting of African ministers of finance, planning and economic development in Addis Abeba, convened by the UN Economic Commission for Africa to promote policy coherence between Africa and its donor parties. In a statement issued at the end, the ministers accused the Fund of imposing rigid and intrusive conditionalities on African borrowers, and using "overly optimistic" projections of African trade and economic growth figures to calculate the amount of debt relief granted under the Heavily Indebted Poor Country (HIPC) program. Ethiopian President Zenawi told the assembled ministers that he declares himself "a card-carrying member of the IMF bashing club." But Zenawi and the ministers agreed that they could not break with the IMF. Ethiopia pays around \$90 million a year in debt servicing alone, which is almost equivalent to its entire health budget.

South African Finance Minister Trevor Manuel slammed the IMF for secretly planning to divide its Africa Department into two sections. Manuel, who sits on the Fund's Board of Governors and chairs the World Bank's Development Committee, "angrily confronted an IMF representative," according to *AllAfrica.com*. In his prepared remarks to the meeting, Manuel said, "It is of tremendous concern to us that the IMF is currently considering to divide the Africa Department into two. Will it be along old colonial lines, or into north and south? We don't know. What we know, is that Europe is not being divided; nor is America. Europe is in fact being unified as the former Eastern Europe joins into the European Union. I think it is time for decisions in the IMF no longer to be imposed on us, but to derive from consultation with us."

### **South Africa and Brazil Signed a Defense Agreement**

On June 4, in Cape Town, South African Defense Minister Mosiuoa Lekota and his Brazilian counterpart Jose Viegas Filho signed a cooperation agreement on defense-related matters. Filho was on a five-day official visit to South Africa. Lekota said this agreement would facilitate bilateral cooperation in defense-related industries in a number of areas. These include research and development, acquisition and logistic support, procurement of military equipment, and exchanging experiences in peacekeeping operations. Lekota is quoted: "Agreements such as this one are important to South Africa. As a developing nation we are looking to partnerships with friendly countries to facilitate access to cutting edge technology...." The coverage of Lekota's press conference by South African news service *SAPA* notes that following the end of the Cold War, tensions evaporated and there seemed to be prospects for world peace, but that today, "emerging threats at the horizons to those prospects of peace required urgent action to ensure peace, security and stability in the world."

### **South Africa Delivers Humanitarian Aid to Iraq**

Officials from South Africa's foreign affairs department delivered about 30 tons of humanitarian aid to Iraq. The aid, which includes medical supplies, medicines, water purification tablets, and baby milk formula, was to be flown into the country June 5. Speaking in Pretoria June 4, Acting Foreign Affairs Director-General Abdul Minty said that a team of journalists and representatives from the non-profit organization that collected the aid, Gift of the Givers, would also leave for Iraq June 5. The South African team will assess the situation and Iraq's needs, during its four-day stay in Baghdad, according to Minty. He said that the South African government would try to give the assistance that is needed most, after a report-back from the factfinding team.

## **Mass Actions Against Mugabe Losing Ground**

In Zimbabwe, mass actions against the Mugabe government were losing ground on June 4, the third day of what leaders from the British-created Movement for Democratic Change claim will be a five-day effort to bring down the government. On Wednesday, business activity was coming back to life, with an estimated 40% of businesses in Harare opening. The government is continuing to use all its power, from military to legal options, to thwart the strike.

Foreign Affairs Minister Stan Mudenge slammed Western "hypocrisy" in talking to 65 foreign journalists in Harare. "It is regrettable that the G-8 summit has seen it fit to criticize the government's efforts to maintain law and order while deliberately ignoring the illegal acts of the MDC ... in its attempts to overthrow a legally constituted government by violent means," Mudenge said.

## **Uganda Blamed for Massacres in Democratic Republic of Congo**

The Kinshasa government is laying responsibility for ongoing massacres in the Democratic Republic of Congo squarely on Uganda. The DRC Information Minister Kikaya bin Karubi told Uganda's opposition newspaper, *The Monitor* June 4 that the DRC government is convinced it was Uganda that armed and created the division in his country's Ituri region. "All these warlords were created by Uganda. The blame for the massacres squarely lies on Uganda and Rwanda," he said. The DRC minister was reacting to allegations that DRC government soldiers were involved in the massacre in Tchiomia near the Ugandan border the first weekend in June. This allegation, he said, is "totally false. The [Kinshasa] government does not have any troops in that part of the country."

Uganda's Minister of State for Defense Ruth Nankabirwa June 4 attempted to deny that Uganda had armed any of the Congolese militias, but there is extensive information to the contrary. She is quoted: "The Congolese themselves are responsible for their own deaths."

## **Nigerian Labor Blasts Gasoline Price Hike of 54%**

The Nigerian Labor Congress (NLC) has slammed the Obasanjo government's plan to increase the price of gasoline 54%, from 26 naira to 40 naira per liter. Chris Uyot, head of NLC's Industrial Relations Department, is quoted in Nigerian daily *The Vanguard* June 4: "We are aware that some people have created artificial scarcity of fuel in several parts of the country. We are also aware that because this artificial scarcity has resulted in black market with its attendant hike in price, these same people are now citing this crisis which they created as justification for an increase in the price of petroleum products."

Uyot said that the national leadership of the NLC was already mobilizing across the country for a nationwide strike if the government implements the fuel price hike.

*The Vanguard* says, "[U]nlike what happened in the past, when the Federal government used a court action to stop an NLC strike, the workers' body is poised not to allow this to happen again."

The NLC had accepted Obasanjo's re-election, while calling on him to be magnanimous in victory.

## **No to Water Privatization in Ghana**

Opposition to water privatization in Ghana may be bearing fruit. The controversy created by the Ghanaian government's

decision earlier this year to invite private participation in supplying water has still not subsided in Ghana. In mid-May, a conference was held in Accra to oppose this initiative of the Kufuor government, which brought together various groups from across Africa who oppose the pressure being put on governments by lending institutions to privatize water. The conference was titled: "Securing the Right to Water in Africa." According to Ebo Quansah, writing for Public Agenda May 29, "Currently, there is reason for the anti-privatization of water lobby to rejoice," as "many of the foreign water companies who initially expressed interest to come to Ghana to run water are dragging their feet. Apparently, the business is not as lucrative as first thought. But another school of thought holds that the pressure mounted by the anti-privatization lobby has sent shock waves down the spines of those foreign firms who initially expressed interest in Ghana water."

Twenty-four other African countries have active World Bank loan conditions that include measures to privatize water systems. *Catholic Information Service for Africa* on May 8 noted, concerning the moves "to transform water into a commodity to be traded and sold for commercial gain," that in "Kenya, this threat is just rearing its head. The disadvantages and negative consequences of such a development are a cause for grave concern.... An adequate supply of water is an inalienable human right and a public trust to be protected and nurtured by all peoples, communities and nations. The Church in Africa needs to take a stand concerning this spreading trend to privatize water distribution and basic sanitation services in Africa." The publication noted that this is currently happening in Burkina-Faso, Gabon, South Africa, Republic of Congo (Brazzaville), Cameroon, Ghana, Nigeria, Tanzania, Sao Tome, Uganda, Chad, Mali, Mozambique, Senegal, Ivory Coast, Angola, Benin, Guinea-Bissau and Niger.

### **African Nations Will Rebuff Attempts To Break Protectionism**

Liberal economic and trade policies being pushed by the South African Trade and Industry Ministry will not meet with positive response from other African countries which are choosing to go in a more protectionist direction, says a report published in the last week in May by the British-steered South African Institute of International Affairs (SAIIA). Author Peter Draper of SAIIA says efforts by Trade and Industry Minister Alec Erwin to mobilize support from SA's African partners to liberalize world trade, are simply not going to work, because "most African countries may have their own agenda, which favors protectionism." Draper is a former South African trade department official.

In the report titled "To Liberalise or Not To Liberalise: A Review of the SA Government's Trade Policy," Draper says that it is clear that "the African continent is becoming increasingly marginalized from the global economy." He continues that "it is debatable whether (or not) the majority of African states have an interest in a broad round of WTO negotiations, given that their export interests are comparatively few.... This puts them into a somewhat contradictory position relative to South Africa, which has much more diverse interests and capabilities."

Draper argues that as a result of this strategic divide, other African governments might regard the SA government "with some degree of suspicion."

### **G-8 Leaders Fail To Act on Providing Generic Drugs**

At the June 3 meeting of G-8 leaders in Evian, France, there was no action on the urgent demand to provide access to cheaper generic medicines to the developing sector for AIDS and other diseases, instead of expensive drugs from Western pharmaceutical companies, leaving the matter in the hands of the World Trade Organization. French President Chirac's "action plan on health" was stripped from his proposals because of President Bush's opposition, as was his call for ending export subsidies on food to Africa. Jean-Herve Bradol, head of Doctors Without Borders in France, accused Chirac of bowing to Bush by dropping an earlier pledge to raise the issue. "Today's inaction on health is a bitter pill to swallow for people in developing counties who know that, behind closed doors, the G-8 are deliberately blocking access to affordable drugs in trade negotiations."



## Pharmaceutical Giants Should Not Pocket U.S. Money for Combatting AIDS

President Bush's \$15 billion for combatting aids in Africa will probably mostly go to U.S. pharmaceutical companies, South African Finance Minister Trevor Manuel speculated, speaking at a meeting of Africa finance ministers in Addis Abeba June 2. Manuel insisted that this had to be stopped; that the new funds pledged by the wealthier countries "must actually land on this continent," which he doesn't now see as part of the U.S. plan. "The bulk of the \$15 billion ... proposed by President Bush will land in the pockets of U.S. pharmaceutical companies."

Referring to anti-retrovirals, Manuel said, "We must have a campaign that releases generics—we must focus on price." Although reiterating the South African government position that anti-retroviral drugs, by themselves, will not solve the problem, without providing decent nutrition and a health-care system, Manuel said, that all African leaders must try to obtain generic drugs to fight the pandemic.

## This Week in History

### June 10-16

June 16, 1933 was the conclusion of what has come down in American history as the First Hundred Days of the Administration of Franklin Delano Roosevelt. Congress finished its work on June 15, and the President signed the final pieces of legislation on the 16th.

A review of what that period meant, can best be understood by contrasting it with the process that was going on in Nazi Germany at the same time, when Adolf Hitler was moving rapidly to consolidate total dictatorial power over the state. The conceptions of policy and leadership could not have been more different. And it was only because FDR resisted the powerful bankers who had helped put Hitler into power, that the United States did not also succumb to fascism, but instead went on the path to restoring our Constitutional commitment to the general welfare principle.

What FDR accomplished in the push for emergency legislation during the Hundred Days, was a mixture of stopgap measures, re-regulation efforts, and essential boosts to the physical economy, through programs of infrastructure construction and public-works employment. Perhaps the only actual model which was passed, was the Tennessee Valley Authority Act, a major project that transformed that seven-state river valley from a Third World-like center of devastation, to a thriving, modern agro-industrial hub. Many of the other measures went in the right direction, in using Federal government power to enforce the general welfare, but would have to be adapted to different conditions today.

The "energy" of the Federal government, which Alexander Hamilton fought so hard to institutionalize in our Constitution, was one of the major characteristics of this period. In these first three months, the President sent 15 messages to Congress, guided 15 major laws through Congress, delivered 10 speeches, constantly consulted with advisers and heads of state, and took personal responsibility for thousands of decisions in domestic and foreign policy.

In addition, he initiated a direct form of communication with the public through what became known as the "Fireside Chat," an intimate direct address to the formerly "forgotten men and women" of America over the radio, to explain the measures he was taking, and why. FDR gave two of those "chats" during the Hundred Days period, out of eight which he gave during his first term in office. By the nearly universal testimony of contemporaries, these chats conveyed to the American population a sense of confidence in leadership, and increasingly, in themselves, that was critical to getting the nation out of the Depression.

The following are the landmark pieces of legislation passed, with small descriptions of their impact, or significance:

March 9—*The Emergency Banking Act*, which established crucial Federal regulatory powers over the bankrupt banking system, permitting its recovery.

March 20—*The Economy Act*, which mandated budget cuts that the Democratic Party platform had promised, but ranged from useless to counterproductive, in terms of restoring the economy.

March 31—*Civilian Conservation Corps* established—this had both short-term and long-term benefits in employment and land-management projects.

April 19—*The gold standard (British) was abandoned*, a positive move toward restoring U.S. national sovereignty.

May 12—*The Federal Emergency Relief Act*, a stopgap measure which supported state welfare payments, and created some public works jobs.

May 12—*The Agricultural Adjustment Act*, with an amendment permitting monetary expansion. This bill was misguided in its attempt to curtail production, as a means of accomplishing the legitimate aim of raising farm prices.

May 12—*The Emergency Farm Mortgage Act*, which played a crucial role in preventing mass farm evictions.

May 18—*The Tennessee Valley Authority Act*, a model for Federal-state cooperation in building crucial infrastructure projects in the areas of providing water and power.

May 27—*The Truth-in-Securities Act*, which took the first steps toward regulation of the Wall Street market.

June 5—*The Gold Standard Act*, which gave the Federal government even more control over the nation's currency and credit system.

June 13—*The Home Owners' Loan Act*, which provided for the refinancing of mortgages for those facing foreclosure, and ultimately benefitted one out of every five urban home-mortgage holders.

June 16—*The National Industrial Recovery Act*. This act had three provisions: 1) declare a national emergency permitting suspension of anti-trust laws, in order to regulate production. This included a subsidiary provision permitting the "right to organize"; 2) establish the Works Progress Administration; and 3) provide for funding of the Works Progress Administration.

June 16—*The Farm Credit Act*. This act provided credit for expanded and refinanced farm mortgages.

June 16—*The Railroad Coordination Act*.

With a committed leader in the Presidency, devoted to the general welfare, you can see that Congress indeed can be made to move to deal with an emergency. If it could happen then, it can happen again today.

**Links to articles from *Executive Intelligence Review*\*.**

**\*Requires Adobe Reader®.**

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## Investigation:

### LaRouche's Pre-War Warning 'Powell Apparent Victim of Hoax'

This memorandum—now completely confirmed in its major points, and in its warnings concerning the other Democratic Presidential candidates' response to the Powell UN Speech of Feb. 5—with accompanying documentation, was first released on Feb. 9, 2003 by LaRouche in 2004, the candidate's Presidential campaign committee.

- Heads Must Roll in the "Counter-Coup" Against Cheney Cabal  
by Edward Spannaus

The "countercoup" against the Rumsfeld-Wolfowitz-Straussian cabal which seized the levers of power in Washington after Sept. 11, 2001, is now moving rapidly forward, to the point where insiders are forecasting that soon, "heads will roll." The immediate issue is the scandalous intelligence fakery which was used to justify the invasion of Iraq.

- British MP Tam Dalyell: We're Looking to Congress

The international importance of the American Congressional hearings into the 'IraqWMD' hoax was a subject of an exclusive EIR interview with Tam Dalyell, the longest-serving member of the House of Commons and the most vocal opponent of the Iraq war in the British Parliament.

## Feature:

### Bangalore Conference Will Change WorldHistory

by Mary Burdman

'Some events become turning points in history, and the second Iraq war is one of them' stated T.N. Chaturvedi, Governor of the state of Karnataka in southern India, in his address as chief guest at the international conference 'World Situation after Iraq War,' held in his state's capital city of Bangalore on May 26-27.

Lyndon LaRouche's Bangalore Address, May 26, 2003

(mp3 audio, 25 minutes)

- Build Economic Recovery and Peace Upon Universal Principles of Culture  
by Helga Zepp-LaRouche

This presentation was given to the Bangalore conference, 'The World After the Iraq War,' on May 26, by the Chairwoman of the Schiller Institute.

- Bangalore Declaration: 'Toward a New World Order'

The Centre for Social Justice and the Schiller Institute organized an International Conference on the 'World Situation After the Iraq War,' in Bangalore, India, on May 26-27, 2003. ... A major contribution came from educated, politically aware young men and women, who took an active part in the discussions. After intense deliberations, the conference issued the following statement, entitled the **Bangalore Declaration...**

- 'Let India Set a Lesson to the World'

Speech by Chandrajit Yadav, chairman of the Centre for Social Justice.

"This conference being held in a very critical world situation. Humanity is in danger, democratic system is in danger, national sovereignty is in danger, world peace is in danger, and over and above all, the life of the common people is in danger."

- 'The Issue by 2004 Will Be the World Economy'

A press conference of Lyndon H. LaRouche, Jr. and Helga Zepp-LaRouche in Bangalore on May 24.

(See p. 32 for Indian press highlights of the tour.)

- [Audio of the Press conference. \(about 52 minutes.\)](#)  
[mp3 format](#)

- [Auspicious Hour for Change at Bangalore](#)  
by [Ramtanu Maitra](#)

The May 26-27 international conference, 'World Situation after Iraq War' held in Bangalore, could not have been timed better. Beside attaining the objective of focussing on the increased instability in the region triggered by the unilateral U.S. action on Iraq, the conference sought to provide India's political leaders a fresh option to chart a new direction to the country's foreign policy.

## Economics:

### [Italy Takes the Initiative for European Infrastructure Growth](#)

by [Claudio Celani](#)

Even empiricism has a good side: When something hurts, Even empiricism has a good side: When something hurts, you feel pain. The international depression has badly hit Euroland's economies, and the empirically minded European Union governments realize that something must be done.

### [The Present and Future of Nuclear Knowledge](#)

by [Dr. Chang-kun Lee](#)

An internationally known specialist calls on the nuclear community to 'take up the gauntlet' and move nuclear technology forward for the benefit of mankind—from desalinating water, to transmuting waste, and new methods of steelmaking.

### [Question Circulates: 'Economic 9/11' Coming?](#)

by [Marcia Merry Baker](#)

The same week that the President signed the \$350 billion-plus tax bill, Lyndon LaRouche, in a statement issued by his campaign, called the question on the Administration's disastrous economic policies: Is this stupidity or willfulness?

### [Bureau of Labor Statistics Fraud Excludes Reality](#)

by [Richard Freeman](#)

The U.S. Department of Labor's Bureau of Labor Statistics steadfastly assures Americans, and people in all nations, that the average U.S. standard of living is rising. Although the BLS was founded to gather information and conduct 'objective' studies, it instead releases monthly and annual reports fit to convince even the hard-boiled skeptic that the average household is doing modestly well.

### [TVA in Borneo: Bakun Dam Revived](#)

by [Martin Chew Wooi Keat](#)

In early 2003, the construction of the Bakun Dam, located in the Malaysian state of Sarawak, has been revived, following a deferral in 1997 forced by the speculative attack on the Malaysian ringgit and other Asian currencies.

### [India Gives German Industry Options from Report](#)

by [Rainer Apel](#)

Indian-German relations received a big push with Prime Minister Atal Behari Vajpayee's state visit to Germany, May 28-29. He was the first Indian leader in 10 years to come to Germany.

## International:

## 'Road Map' Begins in Mideast, But Must Change Washington Map

by Dean Andromidas

After convening his first two Middle East summits, U.S. President George W. Bush has committed himself to implementation of the Road Map for a Middle East peace, which will hopefully end over two years of violence and lead to the establishment of a Palestinian state by 2005.

## Iraq WMD Flap Has 'Mortally Wounded' Blair

by Mark Burdman and Alan Clayton

Just as falsification of intelligence on 'Iraq's weapons of mass destruction' (WMD) has generated an American national controversy, so it has in Britain—with two differences. In the U.K., the controversy is hitting with a fury that, as of this writing, qualitatively surpasses what is happening in the United States.

## Vietnam Taking Rightful Place in the World

by Mike Billington

German Chancellor Gerhard Schröder visited the tomb of Vietnamese revolutionary Ho Chi Minh on May 15, placing a wreath in honor of the father of post-colonial Vietnam— once vilified as a terrorist and enemy of the West.

## Regional Powers Seek Afghanistan's Stability

by Muriel Mirak-Weissbach

The war against Iraq was billed as part of the continuing 'war against terrorism,' launched in the wake of Sept. 11, 2001, with the war against Afghanistan. Yet, as many U.S. and international critics of the Iraq War have been quick to point out, while the United States was rushing headlong into its Iraq invasion, it still had not completed the task begun with the conquest of Kabul.

## **National:**

## FCC Deregulation Is a Threat to U.S. National Security

by Edward Spannaus

On the day before the Federal Communications Commission (FCC) voted for further deregulation of the nation's broadcast and print media, Democratic Presidential pre-candidate Lyndon LaRouche warned that this deregulation scheme must be stopped, on the grounds that it is a threat to U.S. national security.

- Rupert Murdoch and the Imperial Disease

by Anton Chaitkin

Rupert Murdoch, central figure in the scandal over the Federal Communications Commission (FCC), wields a \$42 billion electronic and print media empire, a political agency as much as a commercial enterprise. He has grabbed control over world-wide access to public information, even while losing billions of dollars over the past two years.

- Conrad's 'Black Hole' Puts Hollinger in Red

by Michele Steinberg and Scott Thompson

Conrad Black—the Canadian mogul who would rebuild Britain's Empire and take over the United States in a Dick Cheney-led coup d'état by Straussian neo-conservatives—took a dressing down on May 22, when he was forced to make significant concessions to the shareholders meeting of the New York-based Hollinger International, Inc., of which he is Chairman and CEO.

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