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This Week You Need To Know

For immediate release

LAROUCHE DEMANDS BOLTON BE DEFEATED IN THE SENATE

May 13—Lyndon LaRouche today demanded that the Senate follow up the Foreign Relation Committee's refusal to recommend the nomination of John Bolton to be the U.S. Ambassador to the United Nations, by defeating the nomination.

Capitulation by people in the Senate would be pure cowardice, LaRouche warned, and lead to disaster. It would be an act of pure cowardice, which would spread to the United Nations, and lead to the United Nations being rendered less than useless.

The situation is similar to that in 1933-34 when Hitler was allowed to consolidate power, LaRouche said. People let things occur when they could have stopped them. And the consequence was rampant cowardice, proceeding until the point when Hitler could not be stopped.

The Administration's policies are insane sophistry, LaRouche added. If they are not stopped, the country is finished. It is clear that enough Republicans oppose Bolton, to defeat the nomination. If these Senators go ahead and vote for the Bolton nomination because "the President has a right to his nominees," the country will go down.

The Franklin Case: Bigger Than the Pollard Affair?

by Jeffrey Steinberg

[Indepth version \(pdf\)](#)

Two senior Israeli intelligence officers are now under investigation for their ties to indicted Pentagon Iran analyst Larry Franklin. The identification of former Mossad liaison to U.S. intelligence Uzi Arad, and former Israeli military intelligence officer Eran Lerman as targets of the ongoing FBI probe into possible Israeli espionage, involving Pentagon neo-cons and two top officials of the American Israel Public Affairs Committee (AIPAC), suggests that the scope of the investigation goes way beyond the issue of Franklin's passing classified information, and hoarding secret Pentagon documents at his West Virginia home.

At issue is the longstanding role of leading American neo-cons in an international espionage apparatus, which has operated with relative impunity inside the U.S. Congress and the Pentagon, since the late 1970s. The Franklin case revives unanswered questions, left over from the 1985 Jonathan Jay Pollard affair.

Pollard, an American Naval Intelligence civilian analyst, was caught passing classified U.S. secrets to Israeli Embassy officials, and is now serving a life sentence without parole. In the aftermath of Pollard's capture, American counterintelligence officials have been pursuing "Mr. X," the senior U.S. intelligence official who tasked Pollard in his espionage activities, but was never identified or caught. In fact, as *EIR* has reported over the ensuing two decades, the stay-behind in the Pollard affair was not "Mr. X," but a much larger "X Committee" of top intelligence officials who remain, to this day, deeply embedded in the U.S. intelligence establishment. In June 1988, *EIR* exposed a list of leading Pentagon officials, then under investigation by the General Counsel to Secretary of Defense Caspar Weinberger, as the possible "Mr. X." The targets of the probe included a number of neo-cons who came back into government with the November 2000 election of George W. Bush. The list, leaked to *EIR* in 1988, included: Richard Perle, Michael Ledeen, Paul Wolfowitz, Frank Gaffney, and Douglas Feith.

'Soft' Espionage

In the wake of the Pollard capture, and the near-fatal rupture in U.S.-Israeli relations caused by his spying, a major overhaul in Israeli espionage operations in America was carried out, according to several current and retired U.S. counterintelligence officials interviewed by *EIR*. In all but the most sensitive instances, U.S. intelligence sources have acknowledged, Israel refrained from stealing hard-copy classified documents. Instead, an extensive network of "soft espionage" operations was put in place, involving some leading U.S.-based organizations like AIPAC and the Anti-Defamation League (ADL), some of the same Pentagon-based analysts and policy-makers, and a new generation of Israeli think-tanks and other private-sector outfits, that all maintained a seemingly innocuous, continuous flow of personnel and information.

Instead of secreting U.S. government classified data into the hands of Israeli officials, as was the modus operandi of the Pollard operation, classified information was verbally passed on in the course of Washington "power lunches" at posh restaurants, in the corridors of international conferences, and under the cover of other legitimate exchanges.

Although much of this activity was technically legal, U.S. government sources have reported to *EIR* that, by no later than the Spring of 2001, FBI and other U.S. counterintelligence officials were probing the tight relations between AIPAC, Israeli Embassy officials like Naor Gilon, and the newly installed neo-con apparatus at the Pentagon and in the Office of Vice President Dick Cheney.

This probe intersected an earlier investigation into a large network of "Israeli art students," believed to be carrying out surveillance and recruiting missions, targeting U.S. military and law enforcement facilities during 2000-01.

Prior to the terrorist attacks of Sept. 11, 2001, more than 120 Israeli "art students" were detained and deported from the United States, after being caught surveilling U.S. government installations, according to December 2001 news reports aired on Fox News. Many had specialty backgrounds in signal intelligence and special operations, during their mandatory service in the Israeli Defense Forces. Several were implicated in Israeli Mafia operations inside the United States.

What's more, a Drug Enforcement Administration internal document, summarizing the "art student" investigation, listed the names and known U.S. addresses of all of the deported Israelis. Several of the deportees had lived across the street from members of the al-Qaeda cells that carried out the 9/11 attacks, including the Hollywood, Fla. apartment of alleged ringleader Mohammed Atta. Ultimately, Israeli officials admitted that the "art students" had been conducting surveillance missions. But this was not another case of "friendly espionage" against the U.S. government, they asserted: The Israelis were monitoring the activities of radical Muslims. Israeli officials claimed, in a 2002 interview with the German weekly *Die Zeit*, that, if the United States had not acted with such haste in deporting the "students," the 9/11 attacks might have been averted.

ADL Spy Ring Busted

Even before the "art student" scandal and the more recent AIPAC probe, the Anti-Defamation League was caught up in a spy scandal on the West Coast between 1990 and 1994. In late 1992, the FBI publicly revealed that classified Bureau documents had been transmitted, illegally, to the apartheid government of South Africa. The FBI began investigating the stolen documents in 1990. The FBI probe eventually led to a San Francisco-based private investigator, Roy Bullock, who was a full-time employee of the Bay Area ADL office, reporting to the head of ADL's national Fact Finding Department in New York City, Irwin Suall.

Bullock had solicited the help of a San Francisco Police Department sergeant, Tom Gerard, in obtaining California Department of Motor Vehicle records and other government files on tens of thousands of Californians, including labor, civil rights, and Arab-American political activists; members of the LaRouche political movement; a half dozen members of the U.S. House and Senate, including the current Democratic Minority Leader, Rep. Nancy Pelosi (D-Calif.); and right-wing racists. Groups like the NAACP, the United Farmworkers, the Rainbow Coalition, the National Lawyers Guild, and the Arab-American Anti-Discrimination Committee, were also on the ADL target list. All told, 950 organizations were being spied upon by the ADL.

At an April 1, 1993 press conference, called to outline the results of raids on the ADL offices in San Francisco and Los Angeles, San Francisco Assistant District Attorney John Dwyer told reporters: "The ADL is the target. Their involvement is just so great. People have called this the Gerard case. Now, it's the ADL case. Gerard is just their guy in San Francisco. The ADL is doing the same thing all over the country. There is evidence that the ADL has police agents in other cities. The case just gets bigger every day. The more we look, the more we find people involved."

The probe of the ADL revealed that Bullock had provided agents of the South African government with dossiers on anti-apartheid activists; and that the ADL had provided Israeli government agents with information on Arab-Americans. What's more, through the New York City ADL headquarters, Fact Finding official Yehudit Barsky had regularly received Israeli police dossiers on Arabs. Some Israeli Defense Force dossiers were passed off as ADL "research" and circulated widely inside the United States.

Ultimately, although Bullock and the ADL averted criminal prosecution (Gerard was indicted on five felony counts of passing confidential California state data to Bullock and the ADL), they were sued by a coalition of groups and individuals who had been victims of the ADL's private "Cointelpro" effort. The suit was finally settled in 1999, with the ADL signing a consent decree that they would desist from spying, and pay money into a public educational trust fund.

The Franklin Case

The dust had hardly settled on the ADL spy case when the FBI opened a probe into AIPAC in 2001. And it was this investigation that first led the FBI to Larry Franklin. When Franklin walked into a lunch meeting with AIPAC officials Steven Rosen and Keith Weissman (both since fired), alarm bells went off, and Franklin was placed under surveillance. A June 2004 raid on Franklin's home in West Virginia, according to a criminal complaint filed against him this month, turned up 83 classified documents, which spanned a period of three decades, and reportedly centered around U.S.-Iran policy. Although most news accounts of the Franklin probe cite classified information that Franklin passed on to the two AIPAC officials, on possible threats to Israeli commandos, operating in northern Iraq after the U.S. invasion and occupation, *EIR's* sources report that the Israeli government was anxious to get the details of a classified policy memo on Iran, prepared by a hard-line neo-con colleague of Franklin, Michael Rubin; and that it was the Rubin memo that was one focal point of the Franklin investigation.

One former top U.S. intelligence official reported that former AIPAC officials Rosen and Weissman are also facing possible indictments for receiving U.S. government secrets. Franklin, Rosen, and Weissman, the source reported, are being squeezed by Federal officials, to force them to reveal details of the larger apparatus, involved in the funneling of American secrets to a right-wing apparatus in Israel. Rosen is considered key. He worked for AIPAC in a top research post for 27 years, and, according to one close observer, "Rosen was AIPAC." As one U.S. intelligence official observed to *EIR*, Franklin may have been the first government official caught passing secrets to AIPAC; but nobody believes that the Franklin case was a first such instance of AIPAC's receiving classified intelligence data from neo-cons inside the Pentagon and U.S. intelligence agencies.

Arad and Lerman

According to a story by Orin Nir in the May 6 *Forward*, career Mossad officer Uzi Arad was interviewed by FBI officials in March, on his relations with Franklin. Arad is now the director of the Institute for Policy and Strategy at the Interdisciplinary Center at Herzliya, in Israel. In December 2003, Larry Franklin attended the Herzliya conference, and, according to Nir, Arad later visited Franklin at the Pentagon.

Eran Lerman, a retired strategic analyst with Israeli military intelligence, is now the head of the American Jewish Committee's Jerusalem office. He and Arad have written national security papers for the Jerusalem Center for Public Affairs, a right-wing think tank headed by Dore Gold (a long-time advisor to Likud fanatic Benjamin Netanyahu), now a senior Cabinet advisor to Prime Minister Ariel Sharon. Lerman's name surfaced in the Franklin probe, according to Nir, when Arad mailed a copy of a Lerman policy paper to Franklin.

The Herzliya Center played a little-known but pivotal role in the intelligence hoax leading into the Iraq invasion of March 2003. Barry Rubin, the research director of Arad's IDC, was responsible for a dossier on Iraqi intelligence that was adopted by British Prime Minister Tony Blair, in the now infamous September 2002, 10 Downing Street "white paper" on Saddam's so-called weapons of mass destruction programs (see "Behind the Iraq Dossier Hoax: Intelligence Was Cooked in Israel," *EIR*, Feb. 21, 2003).

Target: Iran

The Larry Franklin probe was first revealed in August 2003, in a news leak to ABC-TV. The timing of the leak, according to one senior U.S. intelligence source, was intended to pre-empt a multimillion-dollar AIPAC propaganda offensive, aimed at pressuring the Bush Administration to take military action against Iran, over Iran's reported efforts to build a nuclear weapon. The ABC story revealed that AIPAC officials were under scrutiny, along with a Pentagon analyst, for passing classified Defense Department planning documents on Iran to the Israeli government.

Until last year, Franklin was the Iran desk officer at the Pentagon's policy office, reporting to William Luti, head of the Near East South Asia branch, and Luti's boss, Doug Feith, Undersecretary of Defense for Policy. Early this year, Feith announced that he would be leaving the Pentagon at the beginning of the Summer. Sources close to the FBI say that Feith decided to depart after he was interviewed four times by the FBI on his relationship with Franklin. Luti, who ran the Office of Special Plans inside the Near East South Asia branch as a neo-con propaganda shop, promoting the Iraq invasion, has also been moved out of his Pentagon post. In early May, the White House announced that Luti would be joining the National Security Council staff as a Special Assistant to the President, advising on military strategy. The NSC post does not require Senate confirmation.

Franklin was part of a small neo-con cell inside the Pentagon's civilian offices, which met frequently in Feith's office. Other members of the group included: Harold Rhode, Abraham Shulsky, Luti, Feith, Richard Perle, David Wurmser,

Michael Malouf, and Michael Rubin.

It is this tightly knit group of neo-cons who are under the FBI spotlight today. One news account of the Franklin arrest noted that at least two other Bush Administration officials, one at the Pentagon and one in the Office of Vice President Cheney, were also under investigation, for passing classified data to Israel and to Iraqi National Congress head Ahmed Chalabi. Chalabi, the darling of the neo-cons for the past decade, has been accused of passing U.S. military secrets to the Iranian government.

At the end of May, AIPAC is holding its annual Washington policy conference. Scheduled speakers include Prime Minister Sharon, U.S. Secretary of State Condoleezza Rice, and a bevy of Congressional Democrats and Republicans. The theme of the conference is Iran's nuclear program and the threat it poses to Israel.

Latest From LaRouche

Guts and Government

by Lyndon H. LaRouche, Jr.

This LaRouche PAC leaflet was issued on May 10, 2005.

General George Washington's actions against the Hessians, like Frederick the Great's decision at Leuthen, Czar Alexander I's courageous acceptance of the Prussian leaders' advice on trapping Napoleon's invading forces, General Douglas MacArthur's Inchon Landing decision, are only typical of famous cases in modern history in which a situation required a combination of competence and courage from an exceptional individual who acted against the lack of a quality of command-decision capability by a majority among other leaders. The General Motors crisis is such a kind of national crisis, when a decision by some exceptional leadership must override the impulse of the majority to equivocate and vacillate.

Right now, our Congress and other leaders are vacillating while the GM crisis is at point where the future of our nation hangs on having a leadership with competence and guts to make a crucial strategic decision. So far, such competence and leadership is not being shown by the leadership of our government or our political parties. Use your political shoes to kick them into the needed upward experience.

You must now demand the needed quality of leadership which will act now, before it is too late to save the imperilled vital machine-tool capability represented by our national auto industry.

Certain powerful international financial interests, acting in collusion with elements of the Federal Reserve System and the Bush Administration are acting to cut a deal around General Motors which will virtually shut the most vital part of the productive potential of the U.S. national economy, while swindling GM employees and retirees of present, vital pension and other entitlements. If that deal is pushed through, it would virtually ensure the end of the U.S. as a leading economy of the world.

One of the leading reasons for the lack of competence being shown by much of our nation's political leadership now, is that the present generation in the Congress and our industrial enterprises are victims of about forty years of brainwashing in the cult of a post-industrial society. For that reason, leading figures in government, and other relevant institutions are seeing the GM crisis as just another financial crisis; they have not faced the reality that the life-or-death issue is not the

financial crisis itself, but the danger of losing our most vital physical production capabilities.

The fact is, that the financial system is already hopelessly bankrupt. The biggest financial collapse in world history is now coming on. That governments can deal with, to organize a recovery, as President Franklin Roosevelt did. However, if we break up the structure of our most vital national industry, in the machine-tool sector of the auto industry, not even a Roosevelt could organize a recovery in your lifetime.

To save the nation, we must keep the labor-force organized around our automobile industry's vital machine-tool capability intact, in place, employed, and functioning. That decision must be made now, or very soon, the time will come, when it can not be made at all.

The U.S. Senate must act to cause our government to put our presently bankrupt major automobile enterprises into a special kind of Federal receivership for the purpose of keeping the machine-tool-centered labor-force and production facilities of the U.S. automobile industry intact and functioning on our national territory. At some future time, the financially reorganized industry will be returned to a new, healthy form of independent private ownership. In the meantime we must save an industry which is a most vital strategic asset of our nation.

The required recovery program will diversify the produced output of that industry to include what are presently urgent needs for products other than automobiles, products which require the kind of productive capability which the automotive industry's machine-tool element enables that industry to provide. Much of this market for the industry's work involves areas of urgently needed basic economic infrastructure. That diversification will play a key part in expanding the base of our physical economy in ways which reverse the presently accelerating collapse of our increasingly bankrupt national economy.

On this issue, we must act now, as if our lives depended upon that action. Our nation's economic future, and much more besides, does depend upon that action.

InDepth Coverage

Links to articles from

[Executive Intelligence Review, Vol. 32, No. 20](#)

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Feature:

[The Battle To Save GM Is the Battle To Save the Nation](#)

[by Nancy Spannaus](#)

The battle lines are drawn around the future of the U.S. auto industry, particularly the General Motors Corporation—and the outcome of that battle may well determine the future of the United States as an industrial power. On the one side is the international banking establishment, which has signalled loud and clear its intent to strip and bury the productive core of the industry, in a desperate attempt to save their financial assets and power. On the other side, are the forces led by Lyndon LaRouche, who has the only plan on the table for protecting, and expanding, the machine-tool capability and skilled labor force which the auto industry represents.

- **Guts and Government**

by Lyndon H. LaRouche, Jr.

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- **Kirk Kerkorian**

Billionaire Vulture Grabs Up GM Stock

U.S. stock markets were sent 'booming' on May 4 by a strike on General Motors by corporate vulture Kirk Kerkorian, who made a sudden move to raise his holdings to 9% of all GM stock. The stock had fallen to around \$25 a share, from \$46 a year ago, and Kerkorian (or is it Kevorkian?) bid \$31 a share for 28 million shares. Auto supply companies' stocks also rose, even as they were announcing many new plant closings!

- **Wilbur Ross, Jr.**

The Profile of A Vulture Capitalist

by Pat Salisbury

An announcement in the Wall Street Journal on May 9 that billionaire 'entrepreneur' Wilbur Ross was planning to move into the auto parts industry, should ring alarm bells about the danger of cannibalization of the heart of productive industry in the United States. Ross, who served as a bankruptcy specialist for the financier oligarchy's Rothschild family for 24 years, now operates the Wilbur Ross Company out of New York City. The company describes itself as 'a private equity firm specializing in distressed investments.'

- **A Damage Report**

The Cost of the General Motors' Crisis

by Nancy Spannaus and Lawrence Freeman

Starting in the 1970s, General Motors Corporation began a process of shrinking its workforce and capacity. Under a hostile financial environment, which rewarded quick-fix financial speculation and cheap labor, and with a corporate management oriented toward this monetarist direction, GM drastically shrunk its labor force, from over 500,000 in 1978, to about 120,000 today.

National:

Bolton Fight Opens Window On Intelligence-Rigging

by Edward Spannaus

A new window on the Cheney gang's 'cooking of the books' on intelligence assessments—which has been largely covered up by all investigations to date—has unexpectedly been opened, with the fight over the nomination of John Bolton to become the U.S. Ambassador to the UN. Despite massive evidence to the contrary, the official conclusions of both the Senate Select Committee on Intelligence, and the SilbermanRobb report on WMD intelligence, were that there was no evidence of intelligence analysts being pressured to produce assessments which would justify the drive to war in Iraq—even though such evidence was contained in the details of their own reports, which most people never bothered to read.

- **Documentation**

Senate Committee Rakes Bolton Over the Coals

Following are excerpts from the May 12 debate and vote in the U.S. Senate Committee on Foreign Relations, on the nomination of John Bolton to be U.S. Ambassador to the United Nations.

- **Secret Downing Street Memo**

The following are excerpts from a secret document reporting on a meeting of British Prime Minister Blair and his top security advisors, on the subject of Iraq; it also reports on a visit to Washington by Richard Dearlove, the head of MI-6, identified only as 'C.' The meeting

took place July 23, 2002, well before the Iraq War. The document was leaked to the London Times, and published on May 1, 2005. The memo was written by Matthew Rycroft, then a Downing Street foreign policy aide.

- **Congressmen Seek Answers**

This open letter to President Bush, dated May 5, requests immediate information concerning a leaked document in Britain, which indicated the existence of a secret Bush/Blair prewar deal. It was signed by 88 members of Congress, led by Rep. John Conyers, Jr. (D-Mich.), Ranking Member of the House Judiciary Committee and Dean of the Congressional Black Caucus. The leak has essentially been acknowledged by the Blair government.

The Franklin Espionage Case: Bigger Than the Pollard Affair?

by Jeffrey Steinberg

Two senior Israeli intelligence officers are now under investigation for their ties to indicted Pentagon Iran analyst Larry Franklin. The identification of former Mossad liaison to U.S. intelligence Uzi Arad, and former Israeli military intelligence officer Eran Lerman as targets of the ongoing FBI probe into possible Israeli espionage, involving Pentagon neo-cons and two top officials of the American Israel Public Affairs Committee (AIPAC), suggests that the scope of the investigation goes way beyond the issue of Franklin's passing classified information, and hoarding secret Pentagon documents at his West Virginia home.

Nuclear Option on Hair Trigger: Profiles of the Detonators

by Edward Spannaus

'We stand here on the precipice of a Constitutional crisis,' declared Sen. Charles Schumer (D-N.Y.), as the Senate Judiciary Committee voted on May 12, on a straight party-line vote, to send to the Senate floor another of President Bush's 'filibuster bait' nominations, that of William Pryor to sit on the 11th Circuit Court of Appeals.

Bush Administration's Strategic Policy Creates a Conundrum for U.S. Military

by Carl Osgood

The process by which competent military professionals are attempting to develop operating principles and conceptions by which the Bush Administration's strategic policy can be militarily implemented, appears to be heading into a contradiction which suggests that that policy cannot be implemented—at least, not in a rational way. This contradiction was first noted two years ago by this reporter after the Unified Quest 03 war game, co-sponsored by the Army's Training and Doctrine Command (TraDoc) and U.S. Joint Forces Command, and held at the Army War College in Carlisle, Penn., when the pre-emptive war policy became an issue in the game.

Economics:

'Pension Panic' Nails Coffin Of Bush Social Security Scheme

by Paul Gallagher

Events in Congress have offered proof of Lyndon LaRouche's judgment that the May 11 United Airlines (UAL) \$10 billion default against all its employee pension funds, means that the 'Chile Model' privatization of Social Security, frantically pushed by the Bush/Cheney White House for the past six months, is dead.

Conference Report

German Labor Calls For Emergency Action

by Rainer Apel

Expectations were high at the May 11 conference on 'Industrial Policy' in Berlin, arranged by the Social Democratic Party (SPD) parliamentary group for select factory councillors of German industrial firms. About 300 labor representatives from all over Germany attended the meeting.

International:

60TH ANNIVERSARY OF WORLD WAR II VICTORY

Commemoration Sends a Double Message to the Russian People

by Michael Liebig

On May 9, during the celebrations held at Moscow to commemorate the 60th Anniversary of the Victory over Nazism and the end of the Second World War, two messages came very prominently to the fore. The first was a message to the Russian people. Despite Russia's collapse in the course of the 1990s, and the huge problems that remain, the country is pulling itself together. That War is, in a way, the exemplar for what is taking place before our eyes. In the Autumn of 1941, when crushing defeat seemed inevitable, suddenly, in a paroxysm of effort almost without precedent, and as more than 20 million men and women went to their deaths, the U.S.S.R. nevertheless succeeded in stopping the Wehrmacht, rolling back those massed armies, and in the end, sending them down to defeat.

Pitfalls Ahead For Tony Blair

by Mary Burdman

The Labour Party won a third term in office in the May 5 British national elections—a first for Labour—but the results were a 'tremendous rebuff' for Prime Minister Tony Blair, a well-known British military historian told EIR, while another British strategic analyst termed the results a 'bloody nose' for Blair.

Bush Policy, Not Proliferation Threatens World Security

by Marsha Freeman

During the first week in May, the 188 nations that are party to the 1968 Nuclear Non-Proliferation Treaty (NPT), began deliberations at the United Nations, to review the status of the Treaty over the past five years. After a year of trying to hash out an agenda for the three-week conference, the participants could not agree on what to discuss, and were no closer to agreement after a week of consultations.

South American-Arab Summit Sets Example For World Peace

by Gretchen Small

Co-hosted by Brazilian President Lula da Silva and Algerian President Abdelaziz Bouteflika, the first-ever South American-Arab Summit was held in Brasilia on May 10-11, bringing together 17 Heads of State, two Vice Presidents, a Prince, 60 Cabinet ministers, and 315 other officials from the 34 nations of these two seemingly disparate regions. Together, these countries—12 in South America, 22 from the Arab League—represent over 660 million people of the developing sector.

LaRouche to German Youth

Earth's Next 50 Years: Your Generation Crucial

Here is the transcript of Lyndon LaRouche's opening remarks by phone to the LaRouche Youth Movement cadre school in Du'sseldorf, Germany, on May 7, 2005.

'Don't Re-Kissingerize Lebanon,' Patriots Say

by Nina Ogden

A seasoned political leader in Lebanon commented, after watching an interview with President Bush on Lebanese TV last month, 'Many people who watched it are asking a serious question, 'Is Bush senile?' There is a French expression for a senile person who just repeats the same words over and over again. This is what Bush sounded like—repeating over and over again the words 'freedom, democracy, freedom, democracy.' Bush demanded that Lebanon form a Cabinet after the Cabinet had already been formed. He demanded that the Syrians leave when they are already out the door. Does no one in his own intelligence departments tell him anything? No one pays attention to him. He is being left behind. It is an embarrassment to the world to have a President of the United States in this condition.'

Italy Is Drawing the Lessons From the Calipari Murder in Iraq

by Claudio Celani

If Niccolò Machiavelli were to write *The Prince* again, he would surely include, in the chapter 'How a Nation Can Lose Its Best Allies,' a report on how the United States handled the crisis with Italy over the assassination of Italian intelligence official Nicola Calipari. As EIR readers know, Calipari was killed in Baghdad on March 6 by a U.S. patrol, which opened fire on the car in which Calipari was escorting Giuliana Sgrena, a liberated hostage, to the airport.

Interview: Ellie Armon Azouley

Young Israeli 'Refusers' Face Jail for Resisting Oppression of Palestinians

Ellie Armon Azouley is an 18-year-old Israeli, a 'refusenik,' who is facing a jail term for her decision to refuse to serve in the Israeli Defense Forces (IDF) in the occupied territories. Azouley has worked for human rights inside Israel—with both Jews and Palestinians—since her early teens. She has personally observed the discrimination and human rights violations against Palestinians, and as a matter of conscience is refusing to be an occupation soldier, where she would be participating in the occupation's humiliation of, and violence against, Palestinians.

American System:

Hamilton's Economics Were About Mind, Not Money

by Nancy Spannaus

Two contemporary developments prompt this renewed treatment of the contributions of First Treasury Secretary Alexander Hamilton to the intellectual tradition of the United States, most specifically its American System of political-economy. The first is the multimillion-dollar promotion of Hamilton through the New York Historical Society's recently concluded exhibit, an exhibit which will soon begin to travel throughout the United States. The second, more important, is the increased necessity for Americans to master the principles underlying Hamilton's economics, a subject which has been virtually buried over the past 70 years, if not more, but which is crucial to the ability of political leaders today to get out of the deepening depression, and onrushing financial breakdown crisis.

U.S. Economic/Financial News

Judge: Bankrupt United Allowed to Dump Pensions

United Airlines Bankruptcy Judge Eugene Wedoff ruled May 10 that United can dump all four of its employee pension plans—underfunded by \$9.8 billion—on the Pension Benefit Guaranty Corporation. United argued that this was essential if it were to exit bankruptcy, and will be a precedent for many other corporations. It also means another \$5 billion obligation for the PBGC, which is already running a \$23 billion deficit. It represents the biggest pension bailout in the PBGC's history (the previous largest was Bethlehem Steel, which cost it \$3.6 billion). Many workers will receive far less money than promised. The PBGC reportedly agreed to take over United's pensions after United offered it \$1.5 billion in notes and convertible stock, when it emerges from bankruptcy, where it's been since 2002. Talk about worthless IOUs!

United's Association of Flight Attendants is threatening to appeal Wedoff's decision and take other actions, and the Machinists are threatening a strike.

Other airlines are arguing that this gives United a huge advantage. The world's largest airline, American, will hold a lobbying day in Washington to urge Congress to let airlines stretch out pension payments.

Delta Airlines, which has lost \$9.6 billion since 2001, is reportedly near bankruptcy. Delta is a leader in trying to get such legislation through—an exemption allowing airlines to stretch out catching up on pension funding over 25 years (!), rather than four years under current law. This legislation for the 25-year stretchout, introduced by two Republicans from Delta's home state of Georgia, had been reported to be dead in the Education and the Workforce Committee. Instead, legislation embodying the Bush Administration demand—that the PBGC, now \$28 billion in deficit, needs to be protected, rather than pensions—will be put forward by that Committee's Chairman, Rep. John Boehner (R-Ohio).

United Unions Prepared To Strike

Three unions that represent United Airlines workers said they are prepared to strike to protect labor contracts. The

International Association of Machinist and Aerospace workers announced that 94% of the members who voted authorized a strike. The Association of Flight Attendants, which has 21,000 members at United, said they would most likely respond with "chaos strikes," if the pension order is not reversed. The strike of flight attendants could take the form of a one-day national strike, or a strike on a single flight at a remote location.

United Airlines announced that its first-quarter losses more than doubled to \$1.07 billion.

Financial Times: U.S. Real Wages Dropping Fast

The London *Financial Times* May 11 headlined "U.S. Real Wages Fall at Fastest Rate in 14 Years," citing the *Times*' survey of Bureau of Labor Statistics data. The drop in real wages, from September 2004 to March 2005, was at an annual 0.9% rate, the steepest rate of fall since 1991 during the Bush "41" recession. This assessment by the *Times* accepts as an inflation measure, the thoroughly doctored, hedonic fraud of the Consumer Price Index. So, only the pace and direction of the fall of real household incomes is indicated, not the real magnitude of it.

State V.A. Homes Fear Closure Due to Bush Budget Cuts

The new director of the National Association of State Veteran Homes testified in the Senate Veterans Affairs Committee hearing on Veterans' long-term care May 12, that the Bush Administration 2006 budget would cause 80% of residents in the state of Washington's Veterans Administration homes to become ineligible for care; they would be kicked out. Alfie Alvarado-Ramos testified that these patients would be the poorest, the most needy; they are the ones who need 24-hour nursing-home care, and those who have non-service-connected medical conditions. The budget cuts per diem rates to the state V.A. homes. The homes will close just as the number of elderly is rising, and the number of disabled and indigent increases.

Sen. Ken Salazar (D-Colo.), told of one state veteran home in his state, where 93 out 100 patients would be kicked out by the budget, stated the obvious: "This policy was driven by budget priorities."

V.A. 'Scratching the Surface' of Vets' Long-Term Needs

The Veterans Administration is "scratching the surface of supplying long-term care needs of elderly, disabled veterans," Sen. Larry Craig (R-Idaho) told the Senate Committee on Veterans Affairs hearing May 12. Expert testimony contained the following: 38% of veterans are of age 65 or older, as compared to 12% of that age in the general population. The number of veterans age 85 and older is expected to triple by 2012. More older veterans have a high level of disability, and are poorer than the general population, and they are being joined by many new veterans with disabilities after serving in Iraq. What is required is significant *expansion* of V.A. infrastructure, not the cuts as in FY 2006 Bush budget.

V.A. Cannot Provide Care for All Veterans

"Veteran Affairs alone cannot possibly provide nursing-home care for all the veterans who need it over the next decade," according to Dr. Jonathan B. Perlin, the newly sworn Under Secretary for Health in the Department of Veterans Affairs (V.A.), to a Senate hearing May 12. He used double-talk to justify undercutting state V.A. nursing homes, by speaking of providing "choices" to vets to stay at home, or get "community" care. One Senator exposed this, pointing out that the Government Accountability Office found such V.A. services were often not available.

Dr. Josh Wiener, Program Director of Aging, Disability, and Long-Term Care, Research Triangle Institute, N.C., pointed out that half of those in long-term care have dementia or Alzheimer's disease, or other serious problems which require

specialized nursing care, and cannot be shifted to "the community."

World Economic News

Grim Economic News Follows Blair Re-Election

More 'grim news' (as characterized by the *Guardian* May 10) on the British economy: Just days after Tony Blair's re-election, figures released on May 10 revealed that Britain's beleaguered manufacturing output was down by 1.6% in March, the worst such fall since mid-2002, the Office for National Statistics (ONS) reported. Industrial production, including energy output, fell by 1.2% in March, and was down 0.7% overall over the first quarter. This means that first-quarter GDP growth should be revised down by a third, to just 0.4%, from the present 0.6% estimate. Manufacturing fell in six of the seven categories. Chemicals, which represent 11% of the manufacturing base, fell 3.5%. The ONS now is predicting that manufacturing will shrink by 2% in 2005! The Confederation of British Industry is warning that factories are cutting 7,000 jobs a month.

These figures do not include the debacle at Rover, once Britain's biggest carmaker.

Figures also showed the sharpest drop in one measure of retail sales since 1999, and the biggest fall in manufacturing for nearly three years. The total value of April retail sales fell by 1.3% from the year before, the worst fall in six years, and "like-for-like sales" were down 4.7% year-on-year, the sharpest fall since January 1995.

House price inflation, the entire "basis" of Britain's consumer economy, is stagnating. Average house prices in England and Wales rose just 0.3% in the first quarter compared with the previous three months, and fell. But prices fell in every part of the country except London, where they rose by more than 4%.

Shanghai Company Proposal To Save Jobs at Rover

The Shanghai Automotive Industry Corp., which had considered buying Rover before it collapsed in April, is proposing to save up to 1,500 jobs at the MG Rover plant in Birmingham. Last month, Rover had to lay off more than 5,400 of its 6,100 workers. SAIC wants to set up a British "engineering development" base, and would use Rover's technology and R&D staff. Rover had employed 500-600 engineers before it collapsed.

United States News Digest

Kerry Was Right: Iraq War Will Cost \$300 Billion by Year-End

With the May 10 final passage in Senate of the latest Iraq war "supplemental" budget of \$82 billion, the United States will have spent \$350 billion in war-related expenses since Sept. 11, 2001, the *Washington Post* reported May 11. The cost of the Iraq war alone reaches \$208 billion with this supplemental, confirming candidate John Kerry's charge during the 2004 Presidential campaign. And although this supplemental, when Bush signs it, will bring the FY2005 earmarked Iraq war spending total to \$100 billion, that will only last until the first month of FY2006—this October—when the Pentagon expects to demand another supplemental budget which it estimates at \$50 billion for the Iraq and Afghanistan wars. Republican Congressional aides told the *Washington Post* that the October request will actually be significantly larger than that.

The war supplemental budgets are now accounting for about one-third of the Federal budget deficit. The newspaper reports

a rise in resistance, including among Republicans in Congress, and in the military, to financing Iraq/Afghanistan by any further supplementals. "It's a hell of a way to do business," said one retired Army general. "The base budget of the Army needs to be adjusted to fight the war on terror, and I have no idea where the money is going to come from." Congressmen are particularly angry that the Rumsfeld Pentagon is obviously using the supplementals to get funding for "military modernization" (\$5 billion of this \$82 billion) and for Army training needs, which the Bush Administration doesn't want to put in the regular defense budget, in order to appear to hold the Federal deficit down. But these are not unpredictable "emergency" spending as the supplementals are claimed to be. Senator Hagel called this "dangerously irresponsible"; Senator McCain said, "We all know what's being done. There's greater and greater resistance" to it.

Ridge Was at Odds with White House on Alert Status

Former Homeland Security chief Tom Ridge told a forum in Washington May 10 that he disagreed with the Bush Administration's habit of periodically putting the USA on high alert for terrorist attacks, even when Ridge argued there was at best flimsy evidence to justify raising the threat level.

At the Washington forum on May 10, Ridge described spirited debates over terrorist intelligence. Ridge said he wanted to "debunk the myth" that his former agency was responsible for repeatedly raising the alert under the color-code system he inaugurated in 2002.

USA Today May 11 quotes Ridge as saying: "More often than not we were the least inclined to raise it. Sometimes we disagreed with the intelligence assessment. Sometimes we thought even if the intelligence was good, you don't necessarily [want to] put the country on [alert].... There were times when some people were really aggressive about raising it, and we said, 'For what?'"

The discussion comes as the Department of Homeland Security is considering whether to scrap the color-code system.

Ridge told reporters at the forum that Homeland Security officials didn't want to raise the level because they knew local governments and businesses would have to spend money putting temporary security upgrades in place.

Ridge added: "You have to use the tool of communication very sparingly." *USA Today* reminds readers that Ridge and then-Attorney General John Ashcroft publicly clashed over how to communicate threat information.

Hillary-Gate Goes into High Gear

With a cast of characters that is eerily familiar to that of the Monica Lewinsky affair, Karl Rove and friends are happily watching as the spotlight is being shifted off House Majority Leader Tom DeLay (R-Tex.) and onto Sen. Hillary Clinton. David Rosen, a former fundraiser for Clinton, is going on trial May 17, charged with "under-reporting" the cost of a Hollywood gala event, in August of 2000, that played a significant role in clinching her bid for a New York Senate seat, later that year. The case pivots around the testimony of Peter Paul, a three-time convicted felon, who, as recently as March of this year, pleaded guilty to securities fraud charges. Paul became one of the largest donors to Clinton's campaign, until her staff found out about his record; then, he essentially turned state's evidence, stating that \$1.1 million of the "in-kind" contributions he made to this campaign event, were reported by Rosen as worth only \$400,000. This is the first time ever that a Senate campaign worker has been brought to trial for financial misdoings.

Now, an array of "get Hillary" operations have been set in motion. Paul, in collusion with a "conservative activist" named Gary Kreep (the name recalls the old Watergate "plumbers unit," CREEP), has launched a website called the "Hillary Clinton Accountability Project," or HilCAP. Kreep, who is in the orbit of neo-cons like Phyllis Schlafley, founded the

United States Justice Foundation in 1979, and has been escalating his clout from his office in Escondido, Calif., taking up cases involving "conservative" issues. Another group, Judicial Watch, which at one time had about 50 legal actions against the Clinton Administration, has filed papers with the Senate Ethics Committee, urging they take up Hillary's case. One source, referencing the case, indicated that large international networks are involved, having connections to right-wing Israeli circles, including their "Christian" counterparts.

The case has spawned a series of articles in the national press, including the *New York Times*, and this week's *Time* magazine, whose headline is, "Hillary in 2008? No Way!"

Whatever the outcome, this case has galvanized the forces which had been scattered as a result of the DeLay revelations, and is intended to have a chilling effect on Bill Clinton's faction in the Democratic Party. The activation of these networks, especially the extreme right-wing Zionist factions, could represent an actual physical threat to the Senator, a source said.

Bush Pushes Nuclear Bunker-Buster Bombs Again

The White House is again trying to get funding for nuclear "bunker buster" bombs, officially named Robust Nuclear Earth Penetrators, or RNEPs, the *Washington Times* reported May 10. Last year, the Bush proposal was voted down, partly because it included the prospect of actual production of weapons. This year, although the possibility of production has been removed from the discussion, opposition is still running high. The only thing the administration is "cautiously optimistic" about getting authorized, is a program to "rehabilitate" existing nuclear warheads, the Reliable Replacement Warhead (RRW) program. All this, in the middle of the United Nations' discussion of the Nuclear Non-proliferation Treaty.

Yet Another Abramoff Scandal Emerges

The *New York Times* surfaced another scandal around lobbyist Jack Abramoff May 9, when it reported on the use of his not-for-profit National Security Caucus Foundation to bring members of Congress on expensive international trips. Abramoff, who is best known for building the fundraising empire of House Majority Leader Tom DeLay (R-Texas), and who is under multiple investigations for allegedly scamming American Indian tribes in lobbying for their gambling operations, has been exposed in another questionable lobbying operation, this time involving the network of "Cold War" organizations around the American Security Council, which dates back to 1955.

The *Times* charges that Abramoff was a lobbyist for Pakistan, at the time that he served as a "tour guide" in 1997, for an expensive bipartisan trip for Congressmen to that country, under the auspices of the National Security Caucus Foundation, a tax-exempt organization that was then headed by one Gregg Hilton. Rep. Michael R. McNulty (D-N.Y.) and Rep. Howard Coble (R-N.C.) were on the trip, but claim that they did not know that Abramoff was a lobbyist for Pakistan at the time, through his law firm, Preston Gates & Ellis. Documents reviewed by the *Times* show that Abramoff paid more than \$350,000 on his personal credit card in travel expenses for trips for various Congressmen, but DeLay was one of the most frequent participants in Abramoff's trips. While it is reported that DeLay was on the Pakistan junket, he was taken to Moscow, London, Scotland, and the slave-labor empire of the Northern Mariana Islands, on trips paid for by Abramoff in part.

The *Times* reports that both Henry A. Kissinger and George P. Shultz were identified as members of the National Security Caucus Foundation on the organization's letterhead. But, they deny giving permission for this identification. Gregg Hilton says they were affiliated with "a sister organization," and adds that he feels "deceived" by Abramoff, who never revealed to Hilton that he was a lobbyist.

EIR is investigating what the "sister organization" might be that link Shultz and Abramoff. The National Security Caucus Foundation is a spin-off of the Cold War-era American Security Council, and the Coalition of Peace Through Strength, which was created by an amalgam of utopian nuclear-warmongers from the neo-conservatives, Straussian inner circle, right-wing Social Democrats, and RAND Corporation utopians. Shultz and Kissinger, of course, were associated with many of those "sister organizations."

Ibero-American News Digest

Brazilian Government Unprepared for Crisis About To Hit

Leading central bankers from around the world huddled together at the Bank for International Settlements headquarters in Switzerland on May 9, to discuss the implications of what they euphemistically called a global shift out of "risky" investments, such as "emerging market" debt. Brazil is the largest "emerging markets" debtor; its Central Bank chief, Henrique Meirelles, emerged from the meeting to announce with bravado, that Brazil has been expecting this negative shift, and is prepared to face it.

Back home, Economics Minister Antonio Palocci declared dramatically at a forum in Rio de Janeiro the same day, that Brazil needs "at least a decade more of fiscal effort" to restore investors' confidence. Therefore, this former Trotskyite turned Wall Street lackey demanded that the Brazilian Congress pass legislation which would require automatic cuts in public expenditures by the same amount which tax revenue falls, not for one year, as is currently the case, but for 10 years, so that whoever is elected to govern the country, cannot change the rules. Why? This would "send a signal to the markets that the whole country is committed to fiscal adjustments." With the resulting renewed "confidence" in Brazil, the country will be able to get loans on the international markets at lower interest rates, he hallucinated.

President Lula da Silva has stood firmly beside his Economics Minister and central banker, but getting such a law passed in the run-up to the 2006 Presidential elections, will not happen under current democratic conditions. The proposal reflects the growing desperation over the global disintegration by the synarchist financiers and their lackeys.

Argentina: 'We Are Not Subjects of the IMF'

"We are not subjects of the IMF," said Argentine President Nestor Kirchner, during an event held over the weekend of May 7-8. He added, "I again repeat to the head of the Fund, Mr. [Rodrigo] Rato, that the [restructuring] debt swap will not be reopened," as the IMF has been demanding.

But the synarchists keep trying. During the Q&A period at May 11 hearings of the U.S. House Appropriations Subcommittee on Foreign Operations, Acting Treasury Undersecretary Randal Quarles again demanded that Kirchner come to the aid of those bondholders who chose not to participate in the debt restructuring swap. Responding to questions from Arizona Republican Rep. Jim Kolbe, Quarles complained about the legislation passed by the Argentine Congress last February, which makes any reopening of the debt swap illegal. This is a "serious problem," Quarles said, because the government has approved a law which says "that they will not come to an agreement" with those so-called "holdout" bondholders. Kolbe demanded that the IMF and the Bush Administration take a hard line with Kirchner, and pressure him to make a deal with the holdouts.

Brazil's IMF Policy: Thorn in Argentine-Brazilian Relations

Argentine President Nestor Kirchner had wanted to get a clear sign from Brazil's President Lula da Silva that Brazil fully backs Argentina's fight with the IMF, as well as its attempts to finally emerge from default status, when he met with Lula

on the eve of the May 10-11 South American-Arab Summit (see In-Depth, this issue). The Argentine President is determined to organize coordination among all the Mercosur (Southern Cone common market) countries in dealing with the IMF.

He did not get the support he was seeking when the two met in Brasilia May 9, prior to being joined by Venezuelan President Hugo Chavez. Thus far, Brazil is happy to be held up as the IMF's new model pupil, even when it officially has no agreement with the Fund. Even though adoption of further austerity guarantees Brazil will face a financial and debt blowout, Lula isn't willing to jump ship and fully back Argentina.

This is probably why Kirchner left the summit one day early—a second scheduled meeting with Lula for May 10 was cancelled—which caught the Brazilian government by surprise. Representatives of both governments scrambled to insist that the Kirchner-Lula meeting went well and that relations were fine.

Brazil's Industry Minister Insults Argentine Businessmen

"You Argentines have no vision of greatness," said Brazil's arrogant Industry Minister Luiz Furlan to a group of executives from the Argentine Industrial Union (UIA) who attended the May 10-11 summit in Brasilia. Furlan, who recently publicly criticized his own President's foreign policy, did not endear himself to the visiting UIA leaders who, together with Finance Minister Roberto Lavagna, came to Brazil to try to address serious trade imbalances between the two countries. Furlan, the owner of a large agro-industrial complex, is known for his anti-Argentine views, and accused the visiting businessmen of thinking on "too small" a scale.

The reality of the situation is that Brazil has dealt with lowered domestic demand caused by the application of IMF austerity policies, by dumping large quantities of cheaper industrial exports onto the Argentine market, particularly hurting the textile, shoe, and electrical-appliance industries in that country. These Brazilian imports have doubled over the last year, while Argentina's exports to Brazil have declined, and consist largely of raw materials.

Lavagna proposed that while Argentina is engaged in rebuilding its industry, the two countries should agree to allow Argentina to apply a "competitive adaptation clause" which would restrict certain categories of Brazilian imports. Monetarist Finance Minister Antonio Palocci cordially promised to take steps to resolve the trade problem (although the likelihood of his doing anything positive is nil). But Furlan threw a fit, threatening that should the Brazilian government permit the imposition of any Argentine safeguards or protectionist measures, he would resign—not a bad idea. A similar violent response came from the Brazilian National Confederation of Industry (CNI), which termed the Argentine proposal "unacceptable."

Argentina's Industrialists Propose Development Bank

The new president of Argentina's Industrial Union (UIA) is organizing for the creation of a National Development Bank, which would function something like Brazil's National Economic and Social Development Bank (BNDES). Hector Mendez, who will shortly assume the UIA presidency, also told *Pagina 12's* "Cash" supplement (May 9): "I would like to see industry return to what it was in the 1950s and '60s when Argentina had extraordinary development possibilities."

It was during the 1950s and '60s that Argentina achieved record living standards and industrial capabilities. Mendez points out that it was during this era that "you could produce a product from nothing, thanks to the large number of parts factories that existed in the market. Small and medium-sized businesses were the real builders of a fantastic future. It's true that the modern world demands change, but I'd like to work to rebuild that national industry."

Mendez said that the state must create an environment friendly to industry. A national development bank must exist to grant credit, together with a policy of support for national companies "at interest rates equal to those that other world business groups obtain, to achieve the rebuilding of our industry."

Chile's Labor Movement Shows Some Life

"Chile's problem is the application of a model of savage capitalism," said Arturo Martinez, President of Chile's Unified Labor Federation (CUT), in a tough speech on May 1. Martinez denounced the free-market economic model imposed on the nation after the 1973 Pinochet military coup, and warned that today, "we workers and our organizations must be the builders of our own destiny, and exercise the right to be protagonists in building a nation for everyone."

The May Day rally addressed by Martinez in the capital, Santiago, drew 70,000 people, a big jump from recent years' attendance of only 10,000. Some estimate that 300,000 rallied around the country, reflecting the growing re-politization in Chile, after years of a general acquiescence to the free-trade model, as the country heads into Presidential elections in December of this year.

Martinez described how Chile's labor force was destroyed by the fascist economic model imposed by Pinochet's "Chicago Boys." They ripped up labor rights, froze wages, deregulated everything, and imposed a privatized pension system which left millions defenseless, living in poverty, and up to their ears in debt. He stopped short of calling for the privatized system to be abolished, but repeated the recent announcement that the CUT is suing Jose Pinera's AFPs (private pension funds) for false propaganda. Those who "have profitted off workers' funds" will be brought to justice, he said. "They must be held accountable for this theft." There must be "profound changes" in the private system, Martinez said, so that workers are adequately protected.

Those who use their "dark powers" to run the country any way they want, Martinez concluded, should know that "we don't like this Chile.... [T]here are more of us workers; we are a force, the ones who create wealth. Now is the time to act."

Western European News Digest

German Judge Defends Constitution Against Globalization

The chairman of the German Federal Constitutional Court, Hans Juergen Papier, asked politicians "to show more courage," in an interview with the German weekly *Stern*, published the week of May 9. Germany's senior judge said that if one comes to the conclusion that economic excesses have to be eliminated, then one must be able to change the laws. He argued this on the basis that the notion of the "social state" is anchored in the German Constitution, and that this principle cannot be sacrificed to globalization. Parliamentary deputies have the constitutional obligation to prevent damage to the people.

BueSo Call for Reindustrialization Covered in NRW Press

North Rhine-Westphalia's largest circulation daily paper, the *Westdeutsche Allgemeine Zeitung* May 13 declared the LaRouche-associated BueSo (Civil Rights Solidarity) movement as the only German party for reindustrialization. In an article on "small" political parties, the *WAZ* wrote: "The Buergerrechtsbewegung Solidaritaet (BueSo) is the only party in Germany that campaigns for the reindustrialization of the Ruhr region into a powerhouse for technology.

"It wants to turn back the clock, to create a new economic miracle for the region: shut-down rail-commodity terminals

shall be reopened, and even more industry should settle here. An underground transport system (CargoCaps), which is yet to be built, would make sure that the most modern commodities are transported quickly in a revitalized mecca of production.

"Instead of disassembling coal mines in the Ruhr region and shipping them abroad, the BueSo candidates want to produce the mining equipment on an assembly-line and export them."

The article includes a picture of a BueSo campaign poster.

Signers of Zepp-LaRouche Call for New Bretton Woods

The former Science Minister of Germany's Brandenburg state, Steffen Reiche, signed Helga Zepp-LaRouche's call for a new Bretton Woods monetary system on May 12. Reiche, who is a deputy in the Social Democratic Party in Germany, is the former Minister of Science in the state of Brandenburg, which surrounds Berlin; Reiche is now a deputy in the Potsdam Parliament. Additional new signers include:

Prof. Blagoje Babic, professor of international finances, Belgrade

Dr. Winfried Hellemann, dentist (ret.), Bonn, Germany

Dr. Guenter Gorlt, dentist, Binz (Isle of Ruegen), Germany

Thierry Convent, architect, Brussels, Belgium

Ole Valentin-Hjorth, entrepreneur, Copenhagen, Denmark

Anita Pedersen, former nurse, Copenhagen, Denmark

Berlin Labor Federation Calls for Reindustrialization

The Berlin Labor Federation (DGB) has called for reindustrialization of Germany's capital. The DGB section in Berlin issued a memorandum signed by 45 DGB labor factory councilmen on May 11. The memorandum denounced the city administration's 15-year policy of fostering service-sector development as devastating, because it has destroyed more than 75% of the 420,000 productive industrial jobs that Berlin still had in 1990.

The labor unionists urge a reindustrialization of Berlin, plus the long-overdue construction of the new international airport, as well as other infrastructure projects.

It's Official: Italy Is in a Recession

The Italian economy has officially entered into a recession: For the second quarter in a row, Italy's GDP has declined. For the first quarter of 2005, GDP decreased by 0.5% over the previous quarter, which was already in the red. Industrial production declined even more, by 2.5%. Hardest hit were textiles (-11%), shoes (-16%), and furniture (-8.1%), which are the most exposed to competition from low-cost imports.

The automobile sector, which means primarily Fiat, took a bath: -9.8%. Prime Minister Silvio Berlusconi made a fool of himself by commenting that the production plunge is due to the Easter holidays—i.e., people worked fewer hours in March—but he was rebuked by the central statistics office, Istat, which explained that official figures are already adjusted to the number of actual working days. Since the new figures correct to -0.2% the forecasted GDP on a yearly basis, this threatens to drive Italy's budget deficit well over the 3% of GDP limit set by the European Union's so-called Stability Pact.

The EU Commission watchdogs have announced that they are preparing to start a disciplinary action in June; however, after the reform of the Stability Pact, the Commission has no mandate to take any executive decision, but must be referred to the EU Ministers' Council.

Cheminade Confronts Fabius on Euro Constitution

Former French Prime Minister Laurent Fabius responded positively to a question from Lyndon LaRouche's Paris-based leading associate, Jacques Cheminade, on the issue of public productive credit. During the Gaullist Academy forum, May 13, Cheminade asked Fabius a question, prefacing it by saying that he, like Fabius, would vote against the European Constitution, for four essential reasons: 1) the role of France in the world, 2) a "certain idea" of Europe, 3) the financial oligarchy's control of the European Central Bank, and 4) Europe's submission to NATO.

Cheminade continued, that beyond a trivial consensus around those issues, if France has a universal mission, it must inspire Europe, the United States, and the world, through a mobilizing great works East-West and North-South, by redirecting money out of the virtual economy and into the real economy, in favor of infrastructure, research, and public health. But in order to realize such a project, money is needed, and it will not come from borrowing and taxes alone. We must call upon a third source, productive credit, as was the case for the Marshall Plan, the French indicative planning, and the policies promoted by Friedrich List and Alexander Hamilton. Yet, Articles III, 181 and III, 188 of the proposed constitutional treaty, Articles 104 and 109 of the European Union's Maastricht Treaty, and several national laws adopted since 1973, forbid absolutely such vital measures.

Cheminade then asked: "Mr. Fabius, are you ready, after May 29, the date of the national referendum, to fight to abrogate those measures and to go for a New Bretton Woods, and call for reconstruction, mutual development, and social justice, which both the right wing and left wing have been unable to create in France since the early '70s?"

People listened carefully to the long and precise question, and Fabius answered: "Monsieur, you were right to ask that question. To act, we need the means, and the Constitution does not give those means." He continued, "What had been planned for a Europe [EU] of 6, 11, and 15 members, is no longer valid for a Europe of 25 countries." He underlined that "sweeping changes must be carried out, and that it is preferable to do that before, rather than after the Constitution takes force, because this Constitution freezes things and makes any revision almost impossible," especially in the direction of a new international economic and monetary order.

French Socialist Leader Appreciates LaRouche Ideas

During a Socialist Party (PS) meeting to push for a "yes" vote for the EU Constitution referendum, the president of the Socialist caucus in the National Assembly, Nantes Mayor Jean-Marc Ayrault, was urged by a LaRouche Youth Movement member to take a stand on Jacques Cheminade's economic proposals, asking him, "What are you waiting for to get into a serious debate?" Ayrault responded: "Concerning Jacques Cheminade, I have met him, I am aware of his program. I sometimes get his newspaper, and I know it. Some ideas shouldn't be rejected, but they have never been taken up by any major party. His whole program, personally, I don't really believe in it, but that doesn't mean that there aren't good things in it."

To have LaRouche's French representative talked about seriously, in public, is a significant change in France. The moderator Jean Pierre Fougerat, mayor of a nearby town and one of the vice presidents of the Nantes Metropole, ordered the microphone be given to the LYM members, saying, "I know you are from Solidarité et Progrès [Solidarity and Progress, Cheminade's political party]. I recognize you from the meeting with former Economics Minister Dominique Strauss-Kahn."

Also quite new for the "Yes" camp: After a second LYM member asked about the world auto industry's physical and financial crisis, Ayrault acknowledged that "financial capitalism causes mass unemployment." He mentioned his meeting with German Social Democratic Party chairman Franz Muentertfering last week. He then stated that "industrial investments such as Airbus should be possible for many other sectors." He continued, "But since the budget is weak, the rigor of the Stability Pact has to be reduced, particularly in time of crisis." He also mentioned the need for "investment in trans-European transport policy."

After the meeting, Fougerat asked the LYM members to come back on May 17, for Ayrault's next public forum.

Russia and the CIS News Digest

Bush Attacks FDR and Yalta

President George Bush's increasingly strident attack on Russia for its lack of "democracy" was capped on May 7, during his speech at the Small Guild Hall in Riga, Latvia, the first stop on his European tour. After briefly addressing the defeat of Nazism—the ostensible reason for his trip—Bush said: "We are mindful of a paradox. For much of Germany, defeat led to freedom. For much of Eastern and Central Europe, victory brought the iron rule of another empire. V-E Day marked the end of fascism but it did not end oppression. The agreement at Yalta followed in the unjust tradition of Munich and the Molotov-Ribbentrop pact.... The captivity of millions in Central and Eastern Europe will be remembered as one of the greatest wrongs of history."

Bush's statement was taken as not only an attack on Russia (which already in 1989, as President Vladimir Putin pointed out, apologized for Stalin's crimes in the Baltic), but also as an attack on FDR, who negotiated the Yalta Pact, which formally did call for the establishment of independent states in the areas formerly occupied by the Nazis.

In commentary on Bush's remarks, historian Arthur Schlesinger, Jr. called them a "reinvention" of the history of Yalta. "The American President is under the delusion that tougher diplomacy might have preserved the freedom" of the East European nations, said Schlesinger, but he forgets the reality of the Soviet Army, which already occupied the area at the end of the war. "No conceivable diplomacy could have saved Eastern Europe from Soviet occupation," he added. Despite this, "FDR managed to extract an astonishing document—the Declaration on Liberated Europe, an eloquent affirmation of 'the right of all people to choose the form of government under which they will live.'" In order to occupy these countries, as he did later, Stalin had to break the Yalta Agreements.

Russian Intelligence Chief Blasts IRI, Other NGOs

During a two-hour report to the Russian State Duma on May 12, given by himself and Foreign Minister Sergei Lavrov, Russian Federal Security Service (FSB) head Nikolai Patrushev attacked the International Republican Institute (IRI) as foremost among foreign NGOs involved in efforts against Russia and its neighbors. The IRI is the GOP arm of the National Endowment for Democracy, or "Project Democracy," and receives millions of U.S. Federal budget dollars for its operations. It is a hotbed of neo-conservative ideologues and has been active in promoting their agenda in post-Soviet Russia since 1991.

Patrushev said, "Our opponents are steadily and persistently trying to weaken Russian influence in the Commonwealth of Independent States and the international arena as a whole. The latest events in Georgia, Ukraine, and Kyrgyzstan unambiguously confirm this." Zeroing in on the IRI, Patrushev said that "in April of this year, there was a meeting in Bratislava of directors of the International Republican Institute, a U.S. NGO, which discussed the possibility of velvet revolutions in the post-Soviet space." (The Associated Press quoted an IRI spokesman, who said there had been a "staff retreat" in Slovakia to discuss "program initiatives.") Patrushev said that the IRI has earmarked \$5 million for regime change in Belarus, and that veterans of the Orange Revolution in Ukraine were being recruited to come to Belarus.

In Russian TV coverage, this part of Patrushev's presentation was blended seamlessly into what he reported about the busting of an Islamist terror cell in Voronezh, central Russia, which he said was responsible for some of last year's high-profile suicide bombings in Moscow, and had planned to bomb V-Day celebration events earlier this week. Patrushev said that group was also "funded from abroad," mentioning several organizations with Arabic names.

May 12 Russian wires carried a story from Minsk, according to which the head of the Belarus Committee for State Security (KGB), Victor Vejera, said he had evidence on NGOs financing the export of different-colored (as in Ukraine's "orange") revolutions to Belarus.

Speaking before Patrushev, Foreign Minister Lavrov said that "People have begun to rear their heads, who see Russia as either an enemy or a rival." Lavrov said he was against regime change as a category of foreign policy activity, but "we cannot close our eyes to what is happening in countries with which we have relations." He cited Ukraine's recent toughening of its posture regarding the Russian Black Sea Fleet and other Russian property in Ukraine. He repeated the angry remarks about Latvia, made by President Putin, during the EU-Russia summit on May 10, for having "territorial pretensions" against Russia. Lavrov particularly warned Georgia, that "Russia will not sit with hands folded," if the personnel at Russian bases in Georgia are threatened.

After President Bush's visit to Tbilisi, Georgian officials this week came out breathing fire about the need to agree to the Georgian timetable for Russian withdrawal—or else, "as of May 15 the Russian bases may be declared illegal," according to Speaker of the Parliament Nino Burjanadze. Two weeks ago, Lavrov agreed with the Georgian Foreign Minister that withdrawal could begin this year, but Defense Minister Sergei Ivanov subsequently stressed that it would take four years for Russia to be able to reabsorb all the personnel and their families.

German Industry Welcomes Russian Investment Invitation

Remarks made by Russian President Vladimir Putin in a joint interview he and German Chancellor Gerhard Schroeder gave to *Bildzeitung* were welcomed by Klaus Mangold, the chairman of the Eastern Trades Committee of German Industry, on May 9. Interviewed by DLR radio, Mangold said that German industry will increase direct investment in major energy projects and in the processing sector of Russian industry—which has to make a technological leap forward by some 20 years. That means that a giant market for German products is waiting in Russia.

There are certain unanswered questions stemming from the trial of Yukos Oil CEO Mikhail Khodorkovsky, Mangold claimed, but German industry thinks it is "a great merit" of Putin, that after the privatization mess left behind from the Yeltsin era, Russia is finding its way back to stability. All in all, today, conditions for German industry's increased direct involvement in Russia are "better than ever before," Mangold said.

Saakashvili: Time To Overthrow Lukashenka in Belarus

It would appear that George W. Bush and Georgia's President Michael Saakashvili—who was installed by the George Soros/Brzezinski/Anglo-American imperial faction—have the same speech writer. As Bush arrived to visit Georgia, Saakashvili denounced the 1945 Yalta Treaty as a shameful example of "betrayal and abandonment," in an op-ed published in the Washington Post and the St. Petersburg Times. He said that the task ahead is to consolidate the Georgian and Ukrainian revolutions, by freeing the people in South Ossetia and Abkhazia (separatist regions of Georgia), and the 10 million people in Belarus, who are oppressed by their President, Alexander Lukashenka. Saakashvili added, "[W]e must extend the reach of liberty in the Black Sea region and throughout wider Europe. Moldova, like Georgia, faces a separatist region that maintains itself with cast-off Soviet weaponry and the profits from an illicit economy based on trafficking in weapons, drugs and women. These are the last razor-sharp splinters of the Soviet empire."

But the priority, for Saakashvili, is overthrowing the regime in Belarus. Saakashvili wants a "new Yalta conference," that will "press for liberty in Belarus through increased travel restrictions on government officials, [and] expanded ... support to the opposition" such as was received by Georgia and Ukraine. If they overthrow Belarus' pro-Russian government, this will help spread the U.S. destabilizations "across the Asian steppes and stir the cedars of Lebanon."

Unrest Spreads in Uzbekistan's Fergana Valley

A rally of at least 2,000 protestors in the Uzbekistan city of Andijan, located in the Fergana Valley of Central Asia, came under fire from government troops on May 13. There were at least a dozen deaths. The protests built up overnight, after armed men freed prisoners from the city labor camp, including 23 accused of Islamic extremism. The protesters in the central square of Andijan called for the resignation of Uzbek President Islam Karimov and the government, and then soldiers reportedly fired on the crowds. Meanwhile both Kazakstan and Kyrgyzstan sealed their borders with Uzbekistan.

The prisoners are accused of membership in the outlawed Islamic party Hizb-ut-Tahrir. The Islamic Movement of Uzbekistan is also active in the Fergana Valley. "In the opinion of local analysts, the rebellion ... was masterminded by followers of the 'Arkamia' extremist organization, which is linked with the religious Islamic Hizb-ut-Tahrir Party," stated a report from the Russian agency Itar-TASS.

Uzbekistan is the most populous nation of Central Asia, with 26 million people. Tashkent itself is the most important city of Central Asia. The Fergana Valley, the most populated region in Central Asia, has in recent years been the scene of Islamic movements. Parts of the Valley are also in Tajikistan and Kyrgyzstan—scene of an upheaval in March, in which long-time President Askar Akayev was ousted.

Speaking the afternoon of May 13, Russian Foreign Minister Sergei Lavrov said, "First of all, this is an internal matter for Uzbekistan. "We've been closely watching information on development of the situation in this country, and recent information shows that it's being stabilized."

Southwest Asia News Digest

Exit From Gaza in 'Eternal Limbo'

Israeli journalist Amir Oren, writing in *Ha'aretz* on May 10, said what many have already concluded: Ariel Sharon's "disengagement" from the Gaza Strip is being put into "eternal limbo." And, at the same time, the far right wing in Israel's think tanks and military is upping the pressure for a preemptive military strike on Iran to eliminate that country's nuclear program.

Thus, only a month after Sharon's meeting with George W. Bush, as *New Federalist* warned May 23, "peace" is further

away then ever—as long as the neo-con cabal run out of Vice President Dick Cheney's office continues to maneuver.

On May 10, Sharon announced that he has officially postponed his disengagement plan for the evacuation of all Jewish settlements from the Gaza Strip, and four from the West Bank, from July 25 to Aug. 17, for religious reasons. In making the announcement, Sharon also made a point that the so-called West Bank settlement blocks "will be part of the State of Israel, territorially connected to Israel, and with a much larger population than today," after the Gaza evacuation. But, one day earlier, Deputy Prime Minister Shimon Peres, the leading Laborite in the shaky coalition, told the *Jerusalem Post* that the disengagement was not a "done deal."

The game of delay, said Oren, is always to keep the Gaza withdrawal on a horizon that is never reached. The charade was cooked up by Sharon, with his Defense Minister Shaul Mofaz, and special assistant Dov Weisglass, an operative with strong links to Vice President Cheney and the White House. Weisglass long ago told Israelis that the Gaza "disengagement" was a way to make sure that there never would be negotiations for a Palestinian state.

One of the tip-offs that there really was no Gaza evacuation plan is that the Israeli government had not even decided *where* to move the 7,500 settlers who are being evacuated. The Gaza settlers demand that their community—1,500 households—be kept together. There are thousands of available homes, apartments, and farmsteads throughout Israel, but since Sharon acquiesced to the settlers' demands, it would be required to build new housing complexes, costing hundreds of millions of dollars.

Oren notes, however, the disengagement "won't be cancelled, just the timing will go through occasional updating...." And, the longer the delay of withdrawing, the greater "the intensity of the vow in its name.... Sharon cannot cancel the evacuation, lest he ignite George Bush's rage."

Egyptian Constitutional Changes Pave Way for Elections

The Egyptian Parliament has approved changes in the Constitution to allow for multi-party candidacies in the upcoming Presidential elections. The amendment to Article 76 was endorsed by an overwhelming majority of the 454-seat lower house of Parliament, dominated by President Hosni Mubarak's ruling National Democratic Party (NDP). After the new rules have been approved by the lower house, they are put to a referendum. The rules say that, to be a Presidential candidate, one has to either be a member of an official party, or get a minimum of 65 recommendations from members of the lower house of Parliament, 25 from the Shura Council, and 10 from local councils, from 14 governorates.

The new rules come in the context of growing mass protests against President Mubarak's long rule.

According to a well-informed Arab expert, the Muslim Brotherhood (MB), which has been leading the mass demonstrations in Egypt, calling for regime change, has been in contact with the U.S. Administration. The contact was initiated by the U.S. Ambassador in Cairo, but has been played down by the Brotherhood, in order not to discredit itself. Brotherhood spokesmen say they don't want to discredit themselves, but at the same time, don't want to waste the opportunity provided by the possible support by a superpower. (A similar phenomenon is noted in Syria, where an MB representative said on TV that he was in favor of overthrowing the Assad government, but feared this would be exploited by the U.S. According to the source, intellectuals throughout the region perceive this dilemma: They want effective political and social change, but do not want to serve the interests of the U.S.)

The Egyptian MB leaders are also wary of U.S. aims, i.e., they are not sure that Washington really wants honest cooperation. The U.S. is in favor of contacts, because it realizes the Brotherhood is the only political force in Egypt which can control the street, i.e., organize masses of people.

The source said he believed Mubarak's days as leader were numbered, because of the rising tide of protests, as well as his ill health.

Opposition Walkout Marred Egyptian Election Law Reform

The Constitutional amendment providing for new election procedures was passed by the Egyptian Parliament, but opposition MPs walked out. They protested the law, which makes it difficult for candidates to run, without having the blessing of Mubarak's ruling NDP. Reportedly 405 of the 454 MPs voted for the new rules.

The opposition movement known as Kifaya (Enough) announced it would boycott the elections. It called for a political mobilization to get the population to boycott the referendum on the changes.

The leader of the opposition alliance, Khaled Mohieddin, from the leftist Tagammu Party, said he was withdrawing his candidacy. The leadership of the opposition Nasserite party expelled its member, an MP who had voted for the resolution, against the party's stance.

If this becomes a trend, then it may be that, as one Egyptian source told *EIR*, the opposition as a whole could decide not to run any candidates, thus leaving Mubarak (or his ersatz candidate) to run unopposed.

The Muslim Brotherhood, prior to the passing of the resolution, had voiced its objections to the rules: that voting in one day would be impossible; that candidates would de facto be vetted by the ruling party; and that the committee overseeing the elections would not be objective.

The MB organized a demonstration in the Asyut governorate, mobilizing 4,000 members, to protest the arrest of students belonging to their movement. The Mubarak government is responding to the growing protest movement with hard-line tactics, which will only make things worse.

Egyptian Judges Reject Bush Offer of Election Monitors

While in Latvia, launching provocations against Russia, U.S. President George W. Bush also threatened Egypt, the *Daily Star* reported May 5. Bush said that the wave of democracy, in eastern Europe, was also sweeping the "broader Middle East," and named Lebanon, as well as Egypt, which "will hold a Presidential election this fall. That election," he announced, "should proceed with international monitors, and with rules that allow for a real campaign."

In response, about 350 judges, members of the General Assembly of the Appeals Courts in greater Cairo, had an emergency meeting on May 8, to "unanimously reject ... any foreign intervention in Egypt's internal affairs." In a separate development, 90% of the country's 2,000 judges who are to run the elections, said they wanted local, not foreign, authorities to do the monitoring.

Iranian Candidates Announce for Presidential Election

Former Iranian President, and current head of the Expediency Council, Akbar Hashemi Rafsanjani, confirmed that he would run for President in the June 17 elections, his spokesman told AFP May 10.

Many polls have placed him far ahead of what is expected to be a field of mostly hard-line contenders. Rafsanjani was President from 1989 to 1997.

According to a high-level Iranian source, who spoke with *EIR*, Rafsanjani is the front-runner. Number two is reform candidate Mostafa Moin; third is Mohammad Baqer Qalibaf, former national police commander; fourth is former IRIB (Islamic Republic of Iran Broadcasting) head Ali Larijani; followed by Ali Akhbar Velayati, and Tehran Mayor Ahmedzadeh.

Other reformists in the running are Mehdi Karoubi, former Speaker of the Parliament, and Mehr Ali Zadeh, deputy to the President for sports affairs. Another conservative, in addition to those named above, is Hassan Frowhani, currently head of the National Security Council, and a negotiator in the nuclear energy talks.

The line put out by the press is that the U.S. is waiting for the outcome of the June elections, to see whether a hardliner or a reformer is elected, in order to decide what to do about Iran's nuclear program. Those who push this line ignore the fact, known to everyone in Iran, that no matter who is elected, no compromises will be made on this program. Any political leader who were to back down on this, would be out on his ear in a minute.

In a clear political move to clarify that it is not willing to compromise on nuclear technology, Iran confirmed on May 9 that it had converted 37 tons of raw uranium into gas. This was announced by Mohammad Saeedi, deputy head of the Atomic Energy Organization of Iran. Foreign Ministry spokesman Hamid Reza Asefi had said the day before, that Iran would resume some uranium processing activities in order to show its dissatisfaction with the lack of progress in talks with the EU. However, after the foreign ministers of Germany, France, and Great Britain signalled that they would back a U.S. initiative to bring a sanctions resolution before the UN Security Council if Iran resumed the reprocessing, the Iranian government indicated it was prepared to delay the resumption and restart talks.

Asia News Digest

Afghanistan: Students Killed in Anti-American Protests

In eastern Afghanistan, bordering Pakistan, student demonstrators took to the streets of Jalalabad on May 11, protesting against alleged desecration of the Holy Koran at the U.S. prison in Guantanamo Bay, Cuba. At least four students were killed and 50 injured. "There is a lot of damage to the city, they have burned a lot of things," provincial Afghan intelligence chief Sardar Shah told AP. People broke into two UN compounds and burned two cars, a UN spokesman said.

Afghan President Hamid Karzai, expressing his frustration, said the deaths were due to the inadequacy of the Afghan police who do not yet know how to handle large demonstrations. Karzai, whose inner circle of physical security is in the hands of the American private security firm, Dyncorp, and paid for by the U.S. State Department, is in no position to back the demonstrators. Instead, he made the "point" that the demonstrations were against the desecration of Holy Koran, and not against the United States. AP, among other agencies, however, reported that the demonstrators were carrying anti-U.S. posters and were shouting "Death to America."

Subsequently, the demonstrations spread to other provinces. In another police shooting in the northern Badakhshan province, three died. Meanwhile, the Afghan students have added the demand that Karzai must not allow the United States permanent military bases in their country.

Pakistan Concerned About Desecration of Koran

Following the demonstration in Jalalabad (see above), which led to the death of four students, Pakistan expressed concern

about the allegations of the desecration of the Holy Koran in the Guantanamo Bay prison camp by the American guards and interrogators. Pakistani Ambassador Jehangir Karamat met with U.S. Secretary of State Condoleezza Rice on May 11 to discuss the situation.

Subsequently, Rice expressed her concerns about the desecration claims on May 12 during testimony before U.S. Congress. Gen. Richard Myers, Chairman of the U.S. Joint Chiefs of Staff, said military investigations have not yet found any evidence to support the charges of desecration.

At the same time, Tom Casey, a spokesman for the U.S. State Department, told reporters that "the alleged desecration, if it occurred, would be deplorable and completely out of keeping with our deeply-held values of religious freedom and tolerance."

Meanwhile in Pakistan, the seven-party political alliance, the Muttahida Qaum Majlis (MQM), was planning anti-American demonstrations on May 13.

Karzai Foe Rejects Permanent U.S. Bases in Afghanistan

The Afghanistan National Congress Party (ANCP) has strongly opposed the U.S. setting up permanent bases in Afghanistan, the Pakistan *Tribune* reported May 11. It is widely known that President Karzai, who can't say no to the Americans, has agreed to allow a number of permanent bases in the country.

ANCP is the party of the influential Tajik-Afghans who led the Northern Alliance and had joined the U.S. in ousting the Taliban in 2001. It is also the Tajik-Afghans who have always been close to Moscow.

China Rejects Sanctions Against North Korea

Liu Jianchao, China's Foreign Ministry spokesman, said on May 10 that China rejected suggestions that it should reduce oil and food shipments to North Korea, calling them part of its normal trade with its neighbor that should be separate from the nuclear problem, according to State Department briefings. "The normal trade flow should not be linked up with the nuclear issue," he said. At the same time, echoing President Bush's public comments, the Chinese Foreign Ministry spokesman said that China still hoped the talks with North Korea would succeed in disarming the country, even though it has boycotted talks for 11 months.

At the U.S. State Department briefing on May 11 in Washington, when the State Department spokesman Richard Boucher was posed this question by a correspondent, he avoided answering it by saying it is the responsibility of all, particularly of China, to see that North Korea does not get nuclear weapons.

China Will Repair Damage to Japanese Embassy

Chinese Foreign Minister Li Zhaoxing informed Japanese Vice Foreign Minister Ichiro Aisawa in Beijing May 11 that China would repair buildings of the Japanese Embassy, which were damaged over the course of three weekends, in protests that were, in part, fueled by release of a new Japanese textbook which was said to play down Japanese war-time atrocities.

In a move to ease any further tension between the two countries, the Chinese government has ordered an end to the protests, and will undertake to repair both relations and the embassy. As well, China and Japan will resume talks this month on a long-standing dispute over sea waters, and set up a joint panel to study history, aimed at ironing out their

differences by the end of 2005.

Terror Bombs Rip Myanmar as Europe Threatens ASEAN

Three bombs exploded simultaneously in Yangon, the capital of Myanmar, on May 7, killing 11 and injuring 162. One of the bombs was set inside a visiting Thai trade exposition, while the other two were at supermarkets. The government placed blame on the Karen and Shan ethnic opposition groups and the NCGUB (National Coalition Government of the Union of Burma)—an opposition government in exile, but those accused blamed it on an internal faction fight within the junta over the recent ousting of intelligence chief Khin Nyunt and his supporters.

Any serious investigation, however, would look at the history of Britain's "Friends of the Hill Tribes" intelligence operations from the 1940s, which ran terror operations against the Burmese nationalists (including the killing of Aung San, the leader of Burmese independence and father of Aung San Suu Kyi), under the cover of ethnic separatists. One significant piece of contextual evidence is accusations by European leaders, some in anonymous statements to the press, at the Asia-Europe Meeting (ASEM) just completed in Kyoto, which accuse ASEAN nations, and Thailand in particular, of coddling a dictatorship in Myanmar and undermining the U.S./Europe/UN sanctions regime against Myanmar.

The Thai government sent a plane to bring the trade delegation back from Yangon. High security measures are in place across the city. A bomb in a market in Mandalay two weeks ago killed two, but these are the first serious terrorist attacks on Myanmar cities since the mass riots of 1988.

Neo-Cons Launch New Salvo vs. China as 'Enemy Image'

Robert Kaplan has launched a new salvo in the neo-cons' attempt to make China the new 'enemy image' for America's new cold/hot war in the Pacific. In the June cover story for *The Atlantic Monthly*, Kaplan writes that NATO is washed up, a "farm system for the major-leagues U.S. military." The strategic center of gravity has moved east, where the "Chinese Navy is poised to push out into the Pacific—and when it does, it will very quickly encounter a U.S. Navy and Air Force unwilling to budge from the coastal shelf of the Asian mainland." Since, in the neo-con mindset, the world is Hobbesian, we are in for a "replay of the decades-long Cold War."

Kaplan describes the role of the military in Huntington-style fashion: "leaving the values side of the political equation to the civilian leadership." To meet the new war of the Pacific, we need three navies: one for offshore bombing, as in Afghanistan and Iraq; a second for "special operations combat against terrorist groups based in and around Indonesia, Malaysia, and the southern Philippines, for example"; and a third for stealth capabilities "for patrolling the Chinese mainland and the Taiwan Strait, among other regions."

Unexpected Opposition to Revaluation of Yuan

There are splits among the lunatics: Steve Hanke and Robert Mundell are denouncing the effort to force China to revalue the yuan. "Dollarization-man" Hanke and Michael Connolly, chief scientist at the Hunan University Project on Globalization, in an op-ed in the *Wall Street Journal* May 5, argue that the current Congressional bills demanding China revalue its currency, under threat of huge tariffs, are pure madness. Quoting Mundell (who has a "Mundell International University of Entrepreneurship" in Beijing), they say that revaluation will cause a disaster in the Chinese economy, would be illegal under international and IMF law, would not improve the U.S. trade deficit, and that the yuan is not overvalued anyway, nor does China manipulate its currency as charged.

This Week in History

May 16 - 22, 1933

TVA Created by Congress

Congress Passes Legislation Creating the Tennessee Valley Authority

On May 18, 1933, during the famous "Hundred Days" of New Deal legislation to restart the American economy, Congress responded to President Franklin Roosevelt's proposal to create the Tennessee Valley Authority. This was a massive regional infrastructure project dealing with the watershed of the Tennessee River in seven states. At that time, most of the Tennessee Valley was like a third-world country, where a million families lived on cornmeal and salt pork.

The hillsides had been stripped of their timber after the Civil War, creating serious depletion of the soil and a runoff problem that regularly led to disastrous flooding. In some areas, 30% of the population suffered from malaria, and there were also large pockets of tuberculosis, pellagra, and trachoma. Half of the population lived on farms, but 97% of those farms had no electricity. Yet the Tennessee River, which roared past farms lit by kerosene lamps, offered a virtually untapped source of potential power.

During the 1920s, Sen. George Norris of Nebraska, a Republican progressive, had fought for government operation of a large hydroelectric plant which the Federal government had built at Muscle Shoals, Ala., during World War I. His efforts were frustrated by the lobbying of private utility holding companies and by the Coolidge and Hoover Administrations. Concurrently, while Gov. Franklin Roosevelt was attempting to set up public power utilities in New York State, a professor at Antioch College, Arthur E. Morgan, wrote an article on managing unified river systems. Roosevelt determined that it could and should be done.

Writing in 1937, Roosevelt looked back at the beginning of the TVA: "As Governor of New York I had sponsored and brought about a statewide planning movement to be based on a study of the proper use of the 30,000,000 acres of land in the State, in which each ten-acre square would be separately studied and classified. Up to that time although many cities, weary of 'growing up like Topsy,' had begun to plan their future growth and development, little on a very large scale had been done for country areas.

"Before coming to Washington, I had determined to initiate a land-use experiment embracing many States in the watershed of the Tennessee River. It was regional planning on a scale never before attempted in history. In January 1933, I visited Muscle Shoals with a group of officials and experts; and thereafter planned for the development of the entire Tennessee Valley by means of a public authority similar to public authorities created in New York while I was Governor, e.g., the Power Authority.

"This plan, for using the land and waters of these forty-one thousand square miles, fitted in well with the project which had been urged for many years by Senator George W. Norris, for developing power and manufacturing fertilizer at the Wilson Dam properties which the United States had erected during the World War. We proposed to enlarge the project from the Muscle Shoals development which was but a small part of the potential development, to include a multitude of activities and physical developments."

When President Roosevelt travelled to Muscle Shoals in January of 1933, he brought along not only Senator Norris, but also Senators and Representatives from the four corners of the country, and a team of engineers. In his informal remarks, he stated that, "We are here because the Muscle Shoals Development and the Tennessee River Development as a whole are national in their aspect and are going to be treated from a national point of view."

That evening, the President made a speech from the portico of the Alabama State Capitol in Montgomery, the same spot where Jefferson Davis had been sworn in as President of the Confederacy. Although Abraham Lincoln's assassination had prevented the implementation of his development program for the defeated South, Roosevelt was now poised to carry it out. The President said that he was determined to put Muscle Shoals to work, and to make it "a part of an even greater development that will take in all of that magnificent Tennessee River from the mountains of Virginia down to the Ohio and the Gulf."

Roosevelt continued by stating that, "Muscle Shoals is more today than a mere opportunity for the Federal Government to do a kind turn for the people in one small section of a couple of States. Muscle Shoals gives us the opportunity to accomplish a great purpose for the people of many States and, indeed, for the whole Union. Because there, we have an opportunity to set an example of planning, not just for ourselves but for the generations to come, tying in industry and agriculture and forestry and flood prevention, tying them all into a unified whole over a distance of a thousand miles so that we can afford better opportunities and better places for living for millions of yet unborn in the days to come."

On April 10, Roosevelt submitted a request to Congress for legislation, saying that, "I, therefore, suggest to the Congress legislation to create a Tennessee Valley Authority, a corporation clothed with the power of Government but possessed of the flexibility and initiative of a private enterprise." When the three board members he appointed to head the enterprise asked him what the TVA was, the President replied that it was a regional agency that didn't merely provide better navigation, flood control and electric power—it reclaimed land and human beings.

The TVA completely transformed the area which it served, bringing to its population the benefits of technology and a sense of hope and self-worth. But such an American System program was vehemently opposed by what Roosevelt dubbed the "Economic Royalists," or Tory faction. The TVA's program of inexpensive electric power, fertilizer, flood control, tree replanting, and mobile libraries was attacked as "socialism."

The Commonwealth & Southern Utility Company, owned by J.P. Morgan, and the American Liberty League brought 57 different legal actions against the TVA to stop its program. But in 1938, the U.S. Supreme Court ruled that the TVA was constitutional. The young president of Commonwealth and Southern was Wendell Willkie, who would lose to Roosevelt in the 1936 Presidential election, but would later play an unexpectedly positive role.

The most revealing attacks on the TVA were those which admitted that electricity might indeed help the farmers, but since they could not afford it, electric power was just a "luxury." The TVA replied that electricity was a necessity on the farm, and set out to show how it could be provided and used.

The agency's power plants provided electricity at a low rate, and that rate became the yardstick for the private power companies. The power was provided to towns and cities and rural cooperatives, and the farmers used the power to pump, grind, refrigerate, saw, milk, heat, and dozens of other functions which brought their farms up to the standards, and profitability, of modern agriculture. The first town to take electricity from the TVA over its own lines was Tupelo, Miss., and in the first year of service, the domestic consumption in homes and on surrounding farms jumped 126%.

President Roosevelt's long-range purpose of reclaiming not only land, but the lives of America's citizens and their posterity, was echoed by Secretary of the Interior Harold Ickes. He stated that, "We are getting ready for the day when a larger and more urgent population will require new acres for food supply and more power for industry. It seems to me that to do otherwise would be to confess that we have lost heart and hope in the future of America.

"To sit back and wait until immediate need forces upon us an ill-advised and hastily contrived scheme, would be a national disgrace. We have seen all too many examples of such criminal folly in dealing with other national assets. It would be

trifling with human needs. For in deepening rivers, in erecting power dams, in constructing vast storage pools, in nailing down the land so that it will not blow away with every breeze, in arranging for new acreage as human requirements warrant, we are reclaiming not land alone, but a people"

With the spectacular success of the TVA, Roosevelt hoped to set up similar regional watershed projects across the nation. But there was Congressional opposition from the Economic Royalists, and then World War II intervened to halt any immediate action. By 1944, however, with an approaching Allied victory, Roosevelt began to plan for post-war economic development. In a Presidential campaign speech at Chicago's Soldier Field, Roosevelt called for regional development plans for the Missouri, Arkansas, and Columbia River Basins.

During the New Deal and the war years, both the Republican and Democratic Parties had divided into those who supported development policies and those who did not. Roosevelt planned, after the 1944 election was over, to work with Wendell Willkie, now convinced that large-scale infrastructure planning was a good thing, to bring together the Democratic and Republican pro-development factions, maybe even to realign the membership of the two parties, to implement his post-war plans.

Unfortunately, Willkie died in October of 1944, and Roosevelt himself had only six months more to live. The application of the TVA's proven methods to other large watersheds is still waiting for a generation which will recognize their effectiveness and fight the necessary political battles to use them.

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