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This Week You Need To Know

Remember Walther Rathenau

by Lyndon H. LaRouche, Jr.

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Today, the echo of the July 24, 1922 assassination of Germany's great industrialist Walther Rathenau once again reverberates in leading events of today's world history. Once again, today, as then, terror chills the will-power of prominent statesmen shuddering in fear of those malignant financial powers behind the scenes, powers which would once again arrange the assassination of any political or kindred leading figure who gets in the way of current plans to loot the pensions and other instruments of the general welfare of the peoples of the world, as the murder of Walther Rathenau and other veterans of the Rapallo negotiations was unleashed in waves following the April 10, 1922, so-called Rapallo Treaty adopted at Genoa, Italy.

Three months after Rathenau's assassination, Venice's British asset, "Young Turk" veteran and banker Count Volpi di Misurata, orchestrated Benito Mussolini's October 24, 1922 March on Rome. Thirteen months after that, the abortive Hitler Munich coup d'état was unleashed by then Mussolini copy-cat Adolf Hitler.

There was no mere coincidence among those connected incidents. The forces behind these events of 1922 were one and the same London- and Paris-dominated, oligarchical circles whose influence dominated Europe from the period of the Versailles Treaty-negotiations on. The world was then well on the way to the likelihood, if not yet the certainty, of what is known today as World War II. Once again, today, threats of the type which felled Rathenau and others are being delivered, or are messages being prepared to be sent soon to leading political figures around the world.

It was the failure of leading European circles to react with courage and competence to the threat from the Versailles Treaty-negotiations-based financier circles, implicated in the murder of Rathenau, which led directly into what later became known as fascism and World War II. Similar fates overtook the lives of many of the leading participants in Rapallo soon after, excepting Britain's Lloyd George. Similar negligence, today, to that which allowed the authors of that wave of deaths to continue, is to be found among relevant political figures. Such negligence now could lead rather quickly into something even far worse than what we once called "World War II."

We should have learned from history of such and kindred processes, that we rarely find among us leaders with both the wisdom and courage needed to prevent such awful turns in history. It is therefore urgent that, from time to time, well-meaning people in positions of important influence must discover in themselves the exceptional qualities of wisdom and courage not to evade the extraordinary risks which leaders must accept for the sake of present and future generations, the courage to look the Devil in the eye, and face him down. Such a time is now....

Latest From LaRouche

LYNDON LAROUCHE ON BUTCH VALDES' — PHILIPPINES RADIO SHOW

June 10, 2005

BUTCH VALDES: Tonight, we have the distinct privilege of having a great statesman, physical economist, leader of a worldwide movement, and the LaRouche Youth Movement. And we want not to waste too much time—we'd like from the United States of America: Mr. Lyndon LaRouche.

LYNDON LAROUCHE: Hello there. We are in a very interesting situation. I'm in the middle of producing an article for this week's *EIR*, which will be of some international relevance. It deals with the crisis we have here, which is actually an international crisis. For example, we have the GM crisis: General Motors and Ford are going down. The United States is in the process, unless we stop it, of losing not only our automobile industry, essentially—except for the Japanese companies operating inside the United States; and also, losing more: losing our machine-tool capacity, which is largely concentrated in the automobile industry. So therefore, if we lose the auto industry, we become essentially, maybe not a Third World country, but sort of a Second World country at best, or a One-And-A-Half World country.

We also have a collapse of the pension system. The only stable pension system in the United States for people in the lower 80% of family-income brackets certainly, is in the Social Security system, which the President of the United States is determined to destroy, if he can, by various subterfuges. But, of course, he's insane. He says, that the U.S. bonds which are the security for the Social Security system are just IOUs which are worthless. So, when the President of the United States is insane enough to say that U.S. government bonds are essentially worthless IOUs, I mean, we're really in trouble here.

But worse than that, we have a financial collapse internationally, which is tied into this question of pensions and whatnot, tied into the General Motors case—the hedge-fund crisis. Now, most of the leading banks of the United States, and of Europe, particularly like Deutsche Bank in Germany, are heavily tied into these hedge funds. The hedge funds are in danger of blowing out. There are estimates that between 20% and 40% of the value of the hedge funds may have been wiped out so far. No one in the area is admitting much of anything. But the experts who are watching, are giving us estimates of close to minimum of 20% of loss of the funds, to up to as high as 40%.

So, this is coming down.

We have, also, the collapse of the housing bubble threatened in the United States, as in Britain. Many other things of a similar type. We are now at the edge of the greatest financial collapse, international financial collapse, in modern history. Because, obviously, if the U.S. Treasuries go down, the U.S. Treasury values go down, this will bring down the world monetary system, by a comparable amount. And there's no part of the world, including China, which could withstand, without serious damage, without actually panic-style damage, the collapse of the U.S. monetary system.

So, that's essentially where we stand.

Now, the positive side, we've had recently, as maybe many of you probably know, we've had some positive developments

in the U.S. Senate, which, under our Constitution—which of course people in the Philippines are somewhat acquainted with—under the "advice and consent" provision of the Senate, the Senate has certain authority which acts as a check on the Presidency, to ensure that the powers of the Presidency are not used in a way to cause permanent damage to our institutions. Recently, the Senate did act that way, and saved us from what could have been the creation of a dictatorship under George W. Bush Jr.,—nominally under him, anyway—but the people who control him would control it. And that was stopped.

But, that's a temporary victory, though it sets a precedent which we would hope we could repeat, if necessary, in the future. But, right now, apart from the fact that I'm in discussion with many people in the Senate and related circles, on a number of these problems, and my voice is heard on these things—I don't know how much my voice will be obeyed on these things, but it's heard, anyway. And we are in discussion, but we're not getting enough action, yet, to say that we're on the road to averting it.

Now, in the meantime, you have a crisis in Europe, and the crisis in Europe is very dangerous, because of the cowardliness of present European governments. For example, you have the new Prime Minister of France, de Villepin, who capitulated to the bankers, in the speech he gave recently announcing what his policy would be as Prime Minister during the coming period. You have the Chancellor of Germany, Gerhard Schroeder, who essentially has made a similar kind of statement, of concession to what are the Synarchist bankers. These are the same guys, the same set of people, who organized World War II—and even World War I, but World War II, especially. And they're in the saddle, and saying: No government better dare do anything that upsets them and their plans.

So, you have a situation which is comparable to the onrush into World War II, coming out of these kinds of circles, of the intimidation of governments, by the pressure of a syndicate of international financier interests. And this could lead into the greatest depression in modern history, and even into a spread of wars, as we have this case in North Korea, where Cheney, under this plan, this CONPLAN 8022, would actually—might drop nuclear missiles on North Korea, that is, the so-called "mini-nukes."

This would have incalculable effects. But the most important effect, would be the shock effect internationally, which would send the world into a pose for a new range of wars, while the war that's still being fought in Iraq is not being satisfactorily settled by any means.

So, that's where we are. We're at that kind of situation. I'm in a peculiar situation, because I'm sort of an insider in some of the leading circles of the Democratic Party, in the way I described it. And, we've got some good people; they're going in good directions. But I'm not sure that so far that we are either going fast enough, or far enough, or that we will continue to go fast and far enough. And we certainly see no signs of much help from Europe in trying to prevent this planet from plunging into Hell.

So, it's a dangerous situation, but one would say, in Chinese terms, "an interesting world."

A Common World Crisis

VALDES: Mr. LaRouche, all of this visage you're presenting to us as the situation, worldwide especially; also the economic situation in the United States, is of course, to say the least, worrisome. And, most especially all of the events that are happening around the world, are getting many people rather tense, not excluding, of course, the Philippines, which is now presently experiencing both a political and an economic crisis. I just wanted to bring this out, because of our listeners right now, especially.

A few months ago, the Prime Minister of Australia, Mr. John Howard, described the Philippines as nest-bed of Asian

terrorism. And the chargé of the U.S. Embassy here, Mr. Mussomelli more recently announced in a speech in Australia, saying, the Philippines is going to be the next Afghanistan.

Now, what you're saying here about the neo-cons and Synarchists planning some sort of an attack in North Korea, is of course getting all parts here, in this part of the world, getting very apprehensive. Over and above this, is the present political crisis that we're now facing, where the leadership is now being questioned.

Are all of these events related? Or, are they exclusive of each other?

LAROCHE: No, they're all interrelated. You have a world system, which is united by the fact it has a common crisis. The common crisis is the international monetary-financial crisis, and the economic crises that go with that. This crisis is also, therefore, a social crisis.

One of the key problems on the political-social-crisis side, is the fact that over the past period, especially since the Nixon Administration period, that the lower 80% of family-income brackets in the United States and Europe, and other parts of the world correspondingly—Australia, too—have been collapsed into the point that they no longer think of themselves as really citizens. They think of themselves as citizens, only to the extent that they may nag or beg of the leading circles. But, that the leading circles, those who actually make the decisions in government, and for government, among the constituency are a shrinking part of the total population.

So you have a divorcing of the great majority of the people from any actual control over their self-interest as people; that is, their rights. They're losing their pension rights; they're losing employment; they're losing their economy in general, as well as the employment; they're losing their infrastructure; they're losing their health-care systems. Everything. The agriculture systems are being destroyed. Globalization is a disaster for every nation on this planet, without exception.

So, these conditions of life are such, that we are in a very *dangerous* situation which is all very closely connected to an international financier cartel, which is, while it's cutting throats among each other, is at the same time, dominating the rest of the world. And this financier cartel is the factor which is a unifying consideration, in terms of the politics and the struggles in all parts of the world. For example, crises like those being imposed on the Philippines, are imposed as part of a pattern of attempted control and manipulation of international affairs. Otherwise they wouldn't occur as they do, when you start to trace, from a security investigation standpoint, where some of these problems are coming from. They're either planned by, or provoked by, interests which are essentially international.

What is 'Synarchism'?

VALDES: Okay, we have a question from a [member of the] LaRouche Youth Movement.

Q: Hi, Mr. LaRouche: My question is: With a lot of talk about nuclear strikes and Synarchist threats of Cheney and Bush, which started since 9/11, can you please tell us what Synarchism means? And how will we be able to [protect] ourselves from this evil?

LAROCHE: Well, Synarchism is an old phenomenon. To understand it adequately, you have to look at—I'll try to make it as short as possible, because it is a somewhat complicated question, especially for people who don't know the history; but, remember, that modern European history begins with the 15th-Century Renaissance, which was centered of course on Italy, at that time. This was the birth of the idea of a society—not the birth of the idea—but the birth of the establishment of a society based on the common interest. Such as in France, of Louis XI, which was a commonwealth society. The second society which was a commonwealth society was England, under Henry VII. So, the idea of a commonwealth

society.

But, in the meantime, the old feudal interests, which were centered on the Venetian financier-oligarchy, set up a counter-operation, which plunged Europe, from 1492 through 1648, into a period of intensive religious warfare, where various nations and religious groups were played against one another, to try to destroy the kind of system that was coming out of the 15th-Century Renaissance.

Now, in 1648, with the Treaty of Westphalia, we did establish the formal end of religious warfare—at least in a formal sense, we no longer had generalized religious warfare. We've had religious warfare since, but not generalized. Until recently, until the Bush Administration began to raise it again, in the United States.

So, that was the system.

But, what's happened is, at that time, what you had replace the Venetian system as such, was a new copy of the Venetian system which was set up by the Dutch and by the British, which became known as the Anglo-Dutch Liberal system. From 1763, that liberal system has increasingly dominated the world. The present international financial system, monetary system, is part of the Venetian system, for example.

Now, the United States, under Roosevelt and the immediate post-Roosevelt [era], dominated the world monetary system, because of the strength of the dollar. But with the events which occurred in the 1960s and 1970s, with the end of the Roosevelt fixed-exchange-rate system, the old Venetian crowd—that is the Anglo-Dutch Liberal crowd—have dominated the world.

Now, the Synarchists are essentially something which was born out of the developments of the 18th Century, as the emergence of the British Empire, which had certain deals with other forces. And they set up a group of people, it's a kind of freemasonic cult, which ran the French Revolution, created Napoleon Bonaparte, and became known in the 19th Century as the Synarchists. At the Treaty of Versailles, the group of financiers who were known as the Synarchist International, centered around private banks such as Lazard Freres in Paris, these bankers created the fascist movement in Continental Europe. They created Mussolini in Italy, they created Hitler in Germany, and so forth and so on.

So, World War II, so-called, was actually a result of the orchestration, and complications in the orchestration of the Synarchist International. At the end of the war, at the point that Roosevelt died, the forces in the United States which had subordinated their impulses to the desire to defeat Hitler—because Hitler was moving against western countries—took advantage of Roosevelt's death, and moved the United States itself into a right-wing turn, which was essentially a pro-Synarchist turn.

There was resistance within the United States to that. Typical of the resistance was that President Dwight Eisenhower, who was an opponent of what he described, in going out of office, as the "military-industrial complex." But the military-industrial complex, as he described it, is simply an aspect of the Synarchist International.

Nixon's attempt to set up a dictatorship—or the Nixon Administration's attempt to set up a dictatorship, which failed at that time—was the launching of a destruction of the international financial economic system, which was done by Synarchist influences. And later, over a period of time, the changes were made in U.S. Constitutional practices—not the Constitution, but the practices, and in Europe—which have led into, over the past nearly 40 years in total, have led into a degeneration of the international system, which is now coming to an end.

What they've intended to do all along—and this was since 1763, not recently—the Anglo-Dutch Liberals had intended to

set up what is called today "globalization": to eliminate the nation-state, and to set up a system, in which no nation-state would rise again, to challenge the international imperial power of this financier crowd. And Lazard Freres is still part of it, along with the others, today.

So, that's what we're up against; it's that. And the defense we have against that, is to strengthen the system of the Renaissance, the system of the sovereign nation-state committed to principle of the General Welfare. That is, the government is obliged *primarily* to defend the General Welfare of its own people, and under the Treaty of Westphalia model, that each nation must work for the benefit of the others. And that, by that system of working to the benefit of the others, among nation-states, and each nation-state committed to the general welfare of its own people and humanity, this is the system which we have to defend. This is the system which is now in danger. It's corrupted from what it should be, but it's now in danger of going out of existence.

The New Bretton Woods

VALDES: Okay, we have another question from LYM.

Q: The New Bretton Woods that you have proposed, would this be a perfect system for the benefit of all?

LAROCHE: Well, remember, you've got two things to deal with at this point: You need a system that works, and you need a system in which people can have confidence. Now, the record of Franklin Roosevelt's reforms, and the relative success we had for about 20 years, despite Truman and despite other things, the relative success of that system in rebuilding a war-torn [world] up until the middle of the 1960s, that system has proven itself. And moreover, the system that replaced it has disproven itself. So therefore, the most obvious thing in which people could have confidence, on the basis of historical experience, is the old idea of the Bretton Woods system.

There are certain changes: That is, now the United States does not have the relative power that it represented at the end of the World War II, so therefore, it has to be a system more dependent upon cooperation among some leading nation-states, than the dependency on one nation-state, which was more characteristic of the immediate post-war period.

So, the reason we would use it, is because it is sound, on the one hand. But, someone might come along and say, "Well, maybe we could do a better job than that." You say, "Yes. But maybe not right away. Maybe what we have to do, is start with something which historical experience will give the most people confidence in trying. And so I think that's the significance we should attribute to that now. Yes, perhaps we *can* develop a better system in the future. But right now, if we want acceptance by the people of the world, for immediate action, then we better stick with the system, if it works, which has been proven by past recent experience."

VALDES: Okay, another question from LYM.

Q: Good morning Mr. LaRouche. Nowadays, we are more focussed with the short-term and service-oriented businesses, which don't contribute much to the physical aspect of the economy. How should we address this problem, Mr. LaRouche?

LAROCHE: Well, first of all we should think in terms of physical economy. But we have to deal, at the same time, with the use of a financial-monetary system as a way of conducting the details of operation within a physical economy. The best model of reference for this, of course, was the description by the Treasury Secretary of the United States, Alexander Hamilton, in his *Report to the U.S. Congress on the Subject of Manufactures*, in which he lays out the idea of this, which is correct: that we think about a physical system, a physical system of industry, of agriculture, and of basic economic infrastructure. We must balance these things in such a way, as to promote the conditions of progress of humanity. To do

that, we have to have a financial system, which is managed under directives, in which you say, the financial system *must serve that purpose*.

Now, the difference, of course, is with the so-called "free-trade system," which says that the whole system is run for the benefit of the bankers, as a monetary system, a monetary-financial system. Whereas, under the American System, as defined by the founders of the U.S. system, the monetary-financial system, must be designed to fit the requirements of performance of the physical economy.

That's what we have to do, today.

Now, this means, essentially, in effect, returning to *regulation* of the type which the United States destroyed in its own operations over the period of the 1970s. So therefore, we have to go back to a well-regulated system, in which prices, tariffs, and so forth, are regulated, to make sure that payment for goods is at fair prices, and that the flow of investment in the economy as a whole is such as to promote the general welfare of the economy as a whole, and the advantage of the nation.

So, the point is, is that what we have to do is clear our heads—and throw away the popular textbooks today on monetary theory. And go back to conceptions, which were the traditional conceptions of the American System, as we associate with Franklin, or Hamilton, or Friedrich List, or the Careys, Mathew Carey and Henry C. Carey; and those conceptions as Roosevelt adopted those as the basis for what he did—Franklin Roosevelt—is what should guide us, today, in designing and maintaining the kind of government we require.

The 'No' Vote on the EU Constitution

VALDES: Mr. LaRouche, the recent events in Europe, on the Netherlands, the Dutch people rejecting the proposed Constitution of the European Union and the same thing they adopted in France; and of course the defeat of the party of Schroeder in Germany: These are all indications of how people are starting to reject globalization. How is this so? And should this affect, let's say, the future of the European Union as a concept, let's say, as an objective?

LAROUCHE: Well, how it *should* affect it is fairly obvious. The reason people reject this thing, is because they realize that this One Europe thing, the European Union is a gigantic swindle which is contrary to the vital interests of the majority of the people. Of course, it's essentially a Synarchist operation, is what it amounts to. But people may not understand that, but they do understand they don't like what's happened to them since the establishment of the euro as a currency under the European Central Bank and the European Union. So they revolted against it, because it stinks!

The question is what do you replace it with? The answer is, that they say—as some people in Italy are saying, even right-wingers—let's go back to the national currencies: the franc, the lira, the deutschemark, for example, and for an international currency, you can have an international currency of account, such as the ECU, the "European Currency Unit." That could work. These are the directions which people are somewhat thinking.

What they want, is they want their industries and agriculture back; they want some control over the prices of things; they want some security; they want an end to this nightmare which they've been living through in the recent years. And that's the point. They should get that. They have a right to that.

But, on the part of the leaders, you've got a problem which I'm addressing in this article, which will be in the next week's issue of *EIR* [See "Remember Walther Rathenau" in this week's InDepth].

The problem is, a lack of courage. Now, what I deal with there is, if you go back to the history from Versailles through Hitler and defeat of Hitler, you have a pattern in which the Synarchists dominate, in which assassinations, beginning with, for example, a lot of assassinations in Germany, but especially assassinations around the so-called Rappallo Treaty group, starting with people like the industrialist Walther Rathenau. All the way, through, which in my time for example, the case in Germany—the head of the Dresdner Bank Juergen Ponto, Hans Martin Schleyer who was part of the industrial sector; then the later thing of Herrhausen's assassination in 1989, and Rohwedder's in East Germany's operations after that. These assassinations typify the way in which politics has been run. This is really—

And today, you have coming from the banking circles, the financial circles, you have threats against any politicians, such as, say, de Villepin, the new Prime Minister of France, or Schroeder, in running for re-election (potentially, at least) as Chancellor of Germany: the threats against these figures are obviously, either by our knowledge of them, or by the implication of certain things, they are really direct. The threat to assassinate, en masse, whole legions of political and other leaders who are considered a threat to the more immediate selfish interests of a group of Synarchist bankers and financier circles of that type, that's where the danger lies; that's where the problem lies.

And until that issue is addressed, when people express their aspirations for improvement, those aspirations really aren't worth much in terms of results if those people are then going to turn around, and their political leaders are going to capitulate to the terror exerted by these financial interests. And that, of course, is not just a European problem, that's around the world.

VALDES: Okay. Another question from the LYM.

Q: Good morning, Mr. LaRouche. I'm a student here, at one of the universities here in Manila. I'm a philosophy major, and one of the philosophers we've been studying is Martin Heidegger. And I just found out recently from Mike Billington that he is a Nazi, and that he was part of the National Socialist Party. This was not presented to us, in any way in our [inaud] university. I was just wondering if it's a phenomenon isolated here in the Philippines? And as a student, what could I do for being able to say something about this in my university?

LAROUCHE: No, this is a very legitimate concern. Heidegger, of course, was a Nazi. He was a close associate—as a matter of fact, a bedfellow for a while—of Hannah Arendt. And also an associate, then, therefore of other people—of Adorno, but she in particular, but others of the same stripe.

Now, Heidegger was a Nazi. She was not, because, she couldn't qualify for Nazi membership, because she had a Jewish birth certificate. Hmm? And those who had a Jewish birth certificate, some of them went to the United States. Now, what happened was, is that Heidegger's case was covered up at the end of the war. He was given a little slap on the wrist; but the fact that he was a Nazi anti-Semite at Freiburg University, which is in the southern part of Germany near the Swiss border, was covered up.

The fact that he produced, also, as a protege, Jean-Paul Sartre of France, was also covered up! And Jean-Paul Sartre is really a Nazi, but of a French variety.

The crowd, Hannah Arendt and her friends, were assembled during the wartime period at Columbia University, where they, with and a lot of other so-called left-wingers, all of this existentialist persuasion, or leftist persuasion like Herbert Marcuse, for example—these guys became the core of what was known as the Congress for Cultural Freedom. Which is better called—I've called it, the Congress for Cultural, not so much Freedom, but Depravity.

Now, this Congress for Cultural Freedom, which was the leading anti-Communist, nominally anti-Communist, Anglo-American propaganda operation of the period from the end of the war, until the fall of the Soviet Union, actually destroyed

the minds and morals of people in the countries they affected. France was *very* much destroyed by this influence. They had a very strong influence there. In Germany, the Frankfurt School, which is of these types, essentially destroyed much of the culture of Germany. They were responsible for the lack or the fact that you don't have any theater much in Germany which is not depraved, under the so-called Regietheater crowd. In the United States, we have a little bit left. Other places, a little bit left—but music is largely destroyed.

So, this was a systematic destruction of Classical European civilization in every possible way. The purpose was to destroy youth.

Now, what you have today, as you know, we have a revolt among a generation of youth, particularly from about 1998-1999, when it became apparent that the so-called "IT revolution," the "Y2K revolution," the electronic technology revolution, was no longer being funded and went into a deep collapse—not a total collapse, but a deep collapse, in the year 2000. And in this process, a whole section of youth, in the 18- to 25-year age-bracket, began to realize that their parents were fools. They didn't hate their parents, but they recognized that their parents, the Baby-Boomer generation, had wandered into a Never-Never Land of fantasy outside reality. And they saw themselves as young people, young adults, being thrown into a world in which there was no future implied.

And therefore, what we've had is a youth movement development, is young people realizing this is the situation, and desiring a future. And of course, things like Heidegger typify the cultural depravity, which was spread among young people in the post-war period, increasingly, where the existentialist philosophers dominate the philosophy departments and sociology departments and so forth. So we have depravity, moral depravity in that form, today.

And the only way to overcome it, is by, shall we say, missionary methods, which we're doing quite successfully, at least in an exemplary way, with the Youth Movement in the United States and elsewhere. The work we've done recently in the U.S., and spreading into Europe, is really quite successful. I'm very proud of these young people—they've done an excellent job. They've done much better than their parents' generation, so far, in their process of self-education and higher education.

The Question of 'Leadership'

VALDES: Mr. LaRouche, can we go back to the situation in the Philippines? A few years back, I remember, I had the privilege of chatting with you there in Leesburg, and you had mentioned to me that the problem with the Philippines, is that we never really had true leadership since the 1980s. And this struck me, because we did have several elections, and we've had ourselves Presidents, but there seems to have been a real, or a different meaning to what you said, "leadership." Would you like to expound on this, Mr. LaRouche?

LAROUCHE: Well, this was deliberate. It was a deliberate chopping down. You had people came out of the wartime and the post-war period, shall we say, the MacArthur experience, where there was a certain promise implicitly by the Gen. Douglas MacArthur about freedom for the Philippines. And experience, which of course, reflected also his own father's role in the Philippines.

So, the idea that, here's a people which had a certain potential, a certain history development, should be treated in a sense, as a protected nation—not ruled by the United States, but protected by it, so it could get on its own feet, and rule itself. And up through the early 1980s, of course, we had significant progress, which became more and more difficult during the 1970s.

And then you had the U.S.-dictated overthrow of the government, and things of that sort. And chaos in this. And we had a situation, as dealing with the so-called minorities question in the Philippines, where, as you may recall Butch, we

were—and you can explain to others there better than I could—exactly what kind of discussions we had with people in Mindanao and so forth, of trying to solve some of the conflicts which outsiders were trying to stir up, within the Philippines.

So, these things were absolutely done to destroy the Philippines.

And why? Well, first of all, what the Philippines represented, was, in a sense, in Asia, a European culture in Asia, which was European in most leading respects. It also had its own character as well, from the people who had been there before the Spanish came in. So, this was considered a nuisance, to those who had a globalization intention. For example, the Philippines with the U.S. bases, which were not always the nicest thing for the Philippines to have—morally or otherwise—but the air base and the naval base, especially the naval base, represented a certain kind of machine-tool capability, a potentiality, in the Philippines, which was essential for building a modern nation. With large-scale infrastructure development of the type which Marcos and so forth was associated with, planning it at a certain point—other things—this could have happened. It would have been a longer process, maybe a generation or two, but there was a genuine prospect at that time, of an actual development of the Philippines, a continuing development, as a nation, which would play an important part in its relationship to the nations of Asia. And something of which the United States should be proud to have as a friend.

That changed. And Marcos was dumped out, of course, as we know; dumped out on orders from Washington, by certain interests. That, in a sense, broke the already-fragile capability of progress in the Philippines at that time.

I think it's important that people know that in the Philippines, and emphasize that; younger people in particular, because it's important not to be ashamed of your country. You may be ashamed of some of the things that go on. But don't be ashamed of the country as such. The country is not a failure. The country's chance of development was curtailed and taken away from it.

And therefore, you have to look at the country, as one which still *has*, a people that *has* that potential. And that to me, is the main concern. The Philippines *still* does have a potential role in Asia, as being its special character, which is a different character than other countries in Asia, but it's a contribution to the cultural development of Asia as a whole. That's what I think we would want to concentrate on.

VALDES: Right. And it's correlated to the previous question that I just asked you Mr. LaRouche. I have to ask you this: it is presently, many of our people are in apparent levels of desperation. And we have an economic crisis, which probably is the worst in our own history, and we are now faced with a political crisis. And since leadership is always going to be the question, how do the Filipinos look at the near future and the immediate future? There is a widespread feeling that the United States, through the State Department and certain other characters, has been influencing the changes of leadership here. And they see this, just as a constraint, and something we have to just add up into our choice of leadership. So, the near future is going to be very critical for us.

Would you like to put that in a right perspective?

LAROCHE: Well, first of all, you know the history of cultures. It's very important for a people to have a sense of leaders among them. They don't have to be the top leaders, but leaders who are intellectual influences, moral influences, who represent a stepping stone toward the future of the nation. This is absolutely essential. I look, of course, as the development of people around youth movements are generally the best source of this kind of quality within a nation, among a people. You need people who can be identified as embodying a knowledgeable spirit of the future of the people. And if they have young people with them, and you see this, in every history of every country—everything that's good, you find a few people who are really outstanding intellectual figures. And around them, you have a generation of younger people, sometimes

students, sometimes associates, but just working together. And that younger generation has often proven to be the basis for a larger, more influential leadership, an intellectual and moral leadership, for the coming period of that country.

The most essential thing, I think, today, in the Philippines, as in many other countries, as we're doing in the United States itself, is to develop a young future leadership, a young generation of future leaders, who are trained and developed to become qualified as the educators and leaders of the times to come, of the generation to come. This is the most important thing. This is the thing that will enable a nation *to live*: That it has something like that within it, a body of people who represent that.

InDepth Coverage

Links to articles from

[**Executive Intelligence Review, Vol. 32, No. 24**](#)

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Feature:

[**Remember Walther Rathenau**](#)

[**by Lyndon H. LaRouche, Jr.**](#)

June 10, 2005

Today, the echo of the July 24, 1922 assassination of Germany's great industrialist Walther Rathenau once again reverberates in leading events of today's world history. Once again, today, as then, terror chills the will-power of prominent statesmen shuddering in fear of those malignant financial powers behind the scenes, powers which would once again arrange the assassination of any political or kindred leading figure who gets in the way of current plans to loot the pensions and other instruments of the general welfare of the peoples of the world, as the murder of Walther Rathenau and other veterans of the Rapallo negotiations was unleashed in waves following the April 10, 1922, so-called Rapallo Treaty adopted at Genoa, Italy.

- [**Helga Zepp-LaRouche: What Germany Needs Now!**](#)

In the event that on June 13, German Federal Chancellor Schröder fails to announce a substantial change in his economic policy, Helga Zepp-LaRouche, chairwoman of the Civil Rights Movement Solidarity (BüSo), intends to announce her own candidacy for the office of Chancellor of Germany. In the following statement, she explains why:

[**New GM Mass Layoffs Mean Auto Is Falling Fast**](#)

[**by Richard Freeman**](#)

General Motors CEO Rick Wagoner effectively announced on June 7 that GM senior management intend to liquidate GM as a functioning enterprise in the United States; Wagoner told a stockholders meeting that he will oversee the elimination of 25,000 additional hourly UAW production workers' jobs, accompanied by the closure of an unspecified number of production facilities—probably seven—all by 2008. Given the speed with which GM is being dismembered, many of these cuts in production and employment will occur in the immediate future. And Wagoner's June 7 announcement must be taken as the bare minimum GM intends to cut, on Wall Street demand.

[**'Enron Accounting' and Dereg Kill Pensions**](#)

[**by Paul Gallagher**](#)

The ugly face of the U.S. corporate pensions collapse was exposed in the United States Senate on June 7: The head of the retired airline pilots'

association explained why he's getting a pension of \$205/month after 26 years flying for TWA; and the flight attendants' union leader, Patricia Freund, testified that most of her members will receive less than half of their contracted pension benefits, because of bankrupt United Airlines' dumping of its pensions on the Federal Pension Benefit Guaranty Corporation (PBGC). Many of those employees, having already 'given back' large chunks of their wages, will have to stay in airline work to age 65 or older. The spectacle of life-long skilled employees retiring on the equivalent of a welfare check (plus their Social Security benefits, fortunately), shows the severity of the rapidly worsening pensions crisis.

Hedge-Funds Crisis Breaks Into the Open

Since the May 5 downgrade of General Motors' and Ford's corporate debt to 'junk' status by Standard & Poor's, the signs of a catastrophe in the hedge-funds markets has exploded into public view. Hedge funds are a form of mutual fund for the super-rich, which are permitted to engage in aggressive speculative activities prohibited to ordinary mutual funds; a substantial amount of betting in derivatives is done through hedge funds, with no government regulation whatsoever. An estimated \$2 quadrillion in derivatives is traded per year— although nobody really knows the full dimensions of this house of cards.

Real Estate Bubble Brings 'Depression' Foreclosures

by Michele Steinberg

One of the great nightmares of the 1930's Great Depression— sheriff's sales and home foreclosures—has returned to the United States with a vengeance, while George W. Bush touts his 'ownership society,' and brags that the number of new homeowners is the highest in American history. Indeed, the National Association of Realtors reported that in April 2005, the sales of existing homes reached an all-time record—but, so did the number of foreclosures. According to *RealtyTrac(R)*, which publishes a monthly report on foreclosures, the April number hit a new high, rising 2.6% over March, which had itself increased 17% over February.

Pentagon's Hiding of BRAC Data Intensifies the Base-Closing Fight

by Carl Osgood

While Pentagon officials are running around the country promoting the 'economic opportunities,' of the current proposed rounds of base closings, local communities, their elected officials, and many members of Congress from both parties are digging in their heels for a difficult uphill battle to stop the plan.

- **The Major Bases To Be Lost in Rumsfeld's Plan**

by Marcia Merry Baker

The map and the profile below identify the 33 military installations having the highest 'economic replacement value,' out of the 180 bases and other facilities targeted for closing in Defense Secretary Donald Rumsfeld's Base Realignment and Closing (BRAC) plan, currently being fought by affected states and communities, and by members of Congress of both parties. These 33 facilities are slated by the Pentagon for either total shutdown, or some more partial 'realignment.'

International:

'X Committee' Out To Blow Up Southwest Asia

by Jeffrey Steinberg

A number of well-informed sources in Israel, the U.S.A., and the Arab world have warned this news service of growing evidence that a 'silent preparation for war' is now under way in Washington and Tel Aviv, which could blow up Southwest Asia in the immediate weeks ahead.

Israeli Computer Spying Linked to 'X Committee'

by Edward Spannaus

A computer espionage scandal with ties into the United States and Britain is wracking Israel, with top executives from a number of major Israeli companies, and employees from three private detective agencies, having been placed under arrest. The probe centers on the use of 'Trojan Horse' computer software to spy on other companies and to steal secret computer data from them.

Science in Russia: Alive, But Malnourished

by Jonathan Tennenbaum

On May 16-18, the Vernadsky State Geological Museum, located across from the Kremlin in the center of Moscow, hosted a remarkable conference entitled 'Science and Our Future: Ideas to Change the World.' The conference, the second yearly event of this kind, brought together 65 Russian scientists and research workers from a wide spectrum of fields of research, ranging from geology and geophysics, biology and medicine, theoretical physics and engineering, to areas related to improving the living conditions and infrastructure of human populations. And, indeed, several of the ideas, discussed during the three days of sessions, do have the potential to change the world in a significant manner.

Luis Posada Carriles Gives the Lie To George Bush's 'War on Terrorism'

by William F. Wertz, Jr.

Immediately after Sept. 11, 2001, President George W. Bush righteously threatened any nation that 'harbored terrorists.' But now, EIR investigations show that the Bush Administration itself is harboring a nest of terrorist assassins in Jeb Bush's Florida—foremost among them being the Cubanborn operative Luis Posada Carriles, whose career in terrorism and intelligence 'black bag jobs' spans more than four decades.

Uganda Is President Museveni Losing U.S. Support?

by Lawrence Freeman

For almost 20 years, since President Yoweri Museveni emerged from 'the bush' to take dictatorial control of Uganda, he has received unwavering support from the principal Western political and financial institutions centered in the United States and the United Kingdom. At a June 2 forum in Washington, D.C., entitled, 'Uganda: An African 'Success' Past Its Prime,' two speakers not representing any policy institution, presented detailed criticisms of the Museveni regime, for the first time in a significant public forum outside of those organized by the LaRouche movement. Although it is not yet known for certain, if this portends a major policy reorientation, at the very least it shows signs of a reversal of a decade's long 'love affair' with Museveni.

The LaRouche Show:

Helga Zepp-LaRouche: We Are In a Pre-Revolutionary Period

Helga Zepp-LaRouche is the chairman of the Civil Rights Movement Solidarity party (BüSo) in Germany, and the founder of the Schiller Institute—as well as being the wife of EIR Contributing Editor Lyndon LaRouche. On June 4 she was the guest on The LaRouche Show, a weekly Internet radio program that airs on Saturdays from 3:00-4:00 p.m. Eastern Time.

- **A New Bretton Woods Now!**

Here is the petition which Helga Zepp-LaRouche issued in April, which is gathering international support. The full list of signers can be found at www.bueso.de.

National:

ON THE NORTH KOREA FLAP

But, Gentlemen, Our Presidency Is, After All, Collectively Insane...

by Lyndon H. LaRouche, Jr.

June 5, 2005

The implication of the recorded CNN interview of the Cheney pair with Larry King, is that the collective George W. Bush Administration has gone beyond 'nuts,' to wildly, dangerously insane. When the outbursts of Lynne Cheney and her snarling yard-dog, the President of Man-de-villain Vice, are read against the background of the Atlantic Monthly's current report of a war-game simulation on the subject of U.S. nuclear war with North Korea, and when this wild-eyed behavioral pattern is compared with the sheer lunacy of the Bush Administration's response to the conditions of the presently onrushing general economic collapse of the world's present monetary-financial system, we are confronted with a constitutional crisis consistent with the nightmarish image of Mrs. Laura Bush approximating the role of 'Mrs. Woodrow Wilson' in her husband's second term.

Detroit City Council Calls for Retooling Bankrupt Auto Sector

The Detroit City Council on June 8 passed a resolution calling upon Congress to intervene on an emergency basis to save and retool the nation's bankrupt automobile sector (see text, below). The collapse of auto has reduced the former 'Motor City' to a catastrophic fiscal crisis. According to the Council's May 2005 budget report, the city's budget problem has been 50 years in the making, and the GM and Ford crisis, as well as Bush's Iraq War, will only worsen the situation.

Interview: LaMar Lemmons III

Retool Auto Industry To Solve Detroit Crisis

LaMar Lemmons III, a Democrat, represents District 3 in the Michigan House of Representatives, which lies in the heart of the city of Detroit. On May 18 he introduced House Concurrent Resolution 0013 (2005), joined by 19 other representatives, calling on the U.S. Congress to intervene to rescue the automobile industry now facing imminent bankruptcy.

How FDR Battled the 'Tories' To Protect His New Deal Policies

by Pamela Lowry

On June 3, 1937, President Franklin Roosevelt recommended to Congress that it pass legislation providing for Federal planning and development of the nation's natural resources, and that this comprehensive effort be coordinated by seven regional authorities. This was not a mere academic proposal for better administration—it was part of Roosevelt's knockdown, drag-out fight in 1937 against the Tory faction, which wanted to stop the New Deal programs and go back to laissez-faire, free trade, and unregulated speculation.

Economics:

Debate in Europe Intensifies Over Future of Euro Currency

by Andrew Spannaus

The future of the European common currency, the euro, is now being openly questioned, after the bombshell of the French and Dutch votes, May 29 and June 1, respectively, against the European Constitution. After years in which serious debate over the European Union's economic policy has been virtually prohibited, a public backlash is becoming an explosion, and certain political forces have begun to suggest that the euro could actually fall apart.

France's New Leaders Ignore Popular Mandate To Reject Globalization

by Christine Bierre

Friedrich Schiller, the great poet and Republican of the 18th Century, said that three elements are necessary to make world-historical changes: the right historical moment, ideas of universal import, and world-historical personalities with the courage to brave opposition in order to carry them out. On May 29, the French population rose to the occasion, and on a silver platter, served its leaders the historical context for making sweeping changes for the better. The resounding 'no' to the European Constitutional Treaty, after months of intense political debate, gave President Jacques Chirac a golden opportunity to announce fundamental changes in the economic policies adopted by France and the European Union, since the turn toward free-market globalization, away from the FDR-inspired Bretton Woods system of the postwar era.

Start Now Building 28 U.S. Nuclear Plants!

by Marsha Freeman

Forecasts for this Summer are that entire sections of the United States, particularly the West and East coasts, will likely experience brownouts and blackouts, because of shortages of electricity. If millions of manufacturing jobs had not disappeared over the past 30 years, capped by tens of thousands of layoffs recently announced in the automobile and related machine-tool industries, this country would have already reached Third World conditions, where electricity is rationed and available for only a few hours per day.

- **Nuclear Plant Designs Ready To Be Built Now**

by Marjorie Mazel Hecht

For an industrial nation that has a large demand now for electric power, 600 to 1,300-megawatt advanced standardized nuclear power plants are the most efficient way to go. Three standardized U.S. designs for advanced nuclear plants are approved by the U.S. Nuclear Regulatory Commission (NRC), and ready to be built: the Westinghouse AP-600 and AP-1,000 and the General Electric Advanced Boiling Water Reactor (ABWR). Another plant design, the ABB System 80+ (designed by a company now also owned by

Westinghouse), is also certified.

U.S. Economic/Financial News

As Economy Sinks, Congress Gives Greenspan Free Pass

Federal Reserve chairman Alan Greenspan was permitted to come before the Joint Economic Committee of the U.S. Congress June 9, and proclaim that "the U.S. economy seems to be on a reasonably firm footing"—with not a single member of Congress bringing up the General Motors crisis, which had dramatically accelerated just two days earlier with the announced intention to lay off 25,000 workers.

Committee chairman Jim Saxton (R-N.J.) instead opened the hearing by praising "the current economic expansion." Senator Jack Reed (D-R.I.) took issue with this, saying that the American worker has been "short-changed" by this recovery, and pointed to economic insecurity, falling real wages, and private pensions being in jeopardy. Reed was the only Democratic Senator to speak, and his statements, mild as they were, were as tough as anything got.

Only Rep. Ron Paul, the Libertarian-Republican from Texas, talked about the country's dwindling manufacturing base.

All in all, it was a tremendous missed opportunity.

Greenspan Denies Real Estate Bubble, Acknowledges 'Froth'

Fed chairman Alan Greenspan devoted about half of his opening statement to the Joint Economic Committee (see above) to the situation in real estate markets.

"Although a bubble in home prices for the nation as a whole does not appear likely, there do appear to be, at a minimum, signs of froth in some local markets where home prices seem to have risen to unsustainable levels," Greenspan said. Because of the immobility of housing, Greenspan contended, speculation in residential real estate is largely local.

"The apparent froth in housing markets may have spilled over into the mortgage markets," Greenspan allowed, citing the "dramatic increase in the prevalence of interest-only loans," and other "exotic" types of adjustable-rate mortgages. Then, after all this, in Greenspan-speak, he tried to argue why a real-estate crash would not cause a crash of the entire financial system.

FAA Slow To Adjust to Changes in Airline Industry

The Inspector General for the Department of Transportation said that the Federal Aviation Administration has been slow to adjust for recent changes in the airline industry. According to the report, issued June 3, the FAA has been unable to conduct all of the required inspections, especially those required after an airline enters bankruptcy. These are needed because of the loss of trained personnel for maintenance, the reduction in the number airplanes, and the loss of revenue to maintain the equipment. According to the report, there was an overall lack of inspection due to budget cuts over the last period. The report also notes that the FAA is going to lose 300 more inspectors, due to the current Bush Administration budget, further reducing the number of inspections.

The report notes a trend of not reporting new risks, since such reports demand more inspections—which can't be done. It further notes that about only 1% of the needed inspections are done at night, when mistakes and faulty maintenance are

more likely to be spotted, since this is when 90% of airline maintenance is done.

The report cites an increase in the psychological stress level among pilots, who are logging more flight hours to make up for big pay cuts. The low-cost airlines, it says, are increasing the number of flight hours for each plane, by reducing the turn-around time at their hubs. With the maintenance being increasingly outsourced, there is a real risk that the planes and equipment are not up to standard; the FAA carries out only a limited number of inspections in third-party maintenance shops. The report calls this a major problem that must be addressed soon.

The FAA admits that it has not kept up with all of the changes in the airline industry, and has agreed to fix the problems noted. However, it also says that it will be difficult to do with the loss of inspectors.

Detroit City Council, Mayor Battle Over Budget

The Detroit City Council is in a pitched battle with Mayor Kwame Kilpatrick over how to close a \$300-million deficit in the city's budget. The Mayor put forward a budget for the fiscal year beginning July 1, which was rejected by the Council. The Council, in turn, put forward its budget, and on June 3, Kilpatrick quickly vetoed it. The Council, arguing that the Mayor's plan is not fiscally responsible, overrode the veto on June 6.

From the Council's budget statement: "Fifty years of disinvestment in the city, national housing and highway policies that subsidized suburbanization, the state's fiscal problems, and the profound challenges faced by General Motors and Ford have all coalesced to create a financial storm that has engulfed this city." *EIR* a year ago documented this deindustrialization/deregulation policy which devastated Detroit, causing a population exodus, disappearance of housing, and impoverishment of those who remained.

The Bush Administration's Iraq war policy is also scored: "The cost of war in Iraq continues to mount and directly affects our tax revenues. Each U.S. household is now paying approximately \$1,475 on average for this disastrous war... If the expenditure for the war in Iraq was allocated instead to cities and states, Detroit's share would have been \$369 million."

Utility Shutoffs Triple in Western Pennsylvania

Utility shutoffs have nearly tripled this year, so far, in western Pennsylvania. Under a new law passed by the Pennsylvania State Legislature, without hearings, less restrictive requirements have been enacted, allowing power companies to terminate service when people get too far in arrears on their bills, the *Pittsburgh Tribune-Review* reported June 8. The six major natural gas and electric companies in the area terminated service to 18,201 households from January through April, up from just 6,681 last year, according to the state Public Utility Commission figures.

World Economic News

Debate in Europe Intensifies Over Future of Euro Currency

The future of the European common currency, the euro, is now being openly questioned, after the bombshell of the French and Dutch votes, May 29 and June 1, respectively, against the European Constitution. After years in which serious debate over the European Union's economic policy has been virtually prohibited, a public backlash is becoming an explosion, and certain political forces have begun to suggest that the euro could actually fall apart. See this week's InDepth for the story behind the story.

Fabius Calls for Grand Development Plan for Eastern Europe

Laurent Fabius, an early proponent of the "No" vote on the European Constitution, warned, as he was being expelled from the French Socialist Party executive June 5, that the European elites must guard against neglecting the deep concern of Europeans about an exclusively neoliberal (monetarist) expansion and integration of Europe, according to Germany's *Junge Welt* daily and other news outlets.

Fabius, a former Prime Minister of France, is reported to have called for a "kind of new Marshall Plan, for the relaunching of the economies in Eastern Europe," as a common mission of the European Union. Only in this way, Fabius said, can the citizens of Europe be filled with enthusiasm for the idea of "Europe."

China Announces Plans for Nuclear Plant Construction

The president of China's Nuclear Corporation, Kang Rixin, has announced that China pledges to spend 400 billion yuan (\$48.33 billion) to build new nuclear power plants by 2020. China plans to triple its nuclear power, from 16 to 60 gigawatts. The new power plants are to be sited in the populous south and east provinces, such as Fujian and Zhejiang, which are short of hydrocarbons.

G-8 Finance Ministers Run from Reality

The Group of Eight Finance Ministers squabbled over fraudulent debt relief to Africa, and bludgeoned China over devaluing its currency during their meeting in London on June 10-11. With hedge funds crashing and the world economy moving into the deepening turbulence of the end-of-June period, the gathering in London was more instructive for what it didn't discuss—certainly no one mentioned the physical economy.

The key agenda item was to gain acceptance of the "debt relief for Africa" scheme, largely cooked up by the politically shaky Tony Blair, with less than enthusiastic support from lame-duck George Bush. Eighteen African countries are supposed to benefit from the plan, which involves \$16.7 billion in debts to multilateral lenders. But despite insistence from Britain's Chancellor of the Exchequer Gordon Brown that agreement will be reached on how to implement the plan by the meeting's conclusion, Germany's Finance Minister Koch-Weser said there were "moral and budgetary dimensions" that have to be considered. "We will try to avoid being steamrolled by the U.K. and the U.S.," he added. Germany, France, and Japan are concerned that if African countries cease making interest payments, this will leave the World Bank short of cash!

There is big pressure on China to revalue the yuan, and there was some suggestion that the G-8 ministers might issue a statement to that effect.

To see what issues were avoided, see this week's *EIR* featuring on the collapsing world economy, that leads with Lyndon LaRouche's article, [**"Remember Walter Rathenau."**](#)

U.S. Treasuries 'in Grip of Speculators'

Speculative trading in interest derivatives, has now reached U.S. Treasuries, according to a June 11 article in the leading Swiss daily, *Neue Zuercher Zeitung*, headlined, "U.S. Long-Term Interests in the Grip of the Speculators." In particular, says the *NZZ*, in March 2005, hedge funds took short positions on a massive scale, on ten-year Treasury bonds, which are not intended to be speculative instruments. When the price of Treasuries went up, instead of down, and dangerous defaults were looming, hedge funds turned around by 180 degrees, and bought positive net long positions, i.e., betting that the price would rise.

United States News Digest

Homelessness Rising Among Iraq, Afghanistan War Vets

While the reported numbers are small, so far, given the numbers of people serving in George Bush's two wars, and the rate of mental illness among them, the problem of homelessness among veterans of the wars in Iraq and Afghanistan is likely to grow over the coming years, according to *Stars and Stripes* June 2. Linda Boone, the executive director of the National Coalition for Homeless Veterans, says that about 70 veterans of Iraq and Afghanistan contacted her organization for help in 2004, and another 125 have petitioned the Veterans Administration. "It's not a big wave, but it's an indicator that we still haven't done our job," she said. VA officials say they're much more able to reach out to such veterans than in earlier times, but Boone says that most don't seek help for mental and emotional problems for years after they return from combat, meaning that the problem will likely get worse.

Army Lowers Standards for Officers

The Army will raise the upper age limit for enlisted soldiers and civilians to attend Officer Candidate School (OCS), to 42, and permit more flexibility in waiving minor criminal or civil offenses the potential officer candidate may have committed, the *Baltimore Sun* reported June 9. The current rules require that officer candidates finish their training prior to reaching age 29, and that they should be in "good moral standing." The Army's plans to increase the number of active-duty soldiers to 510,000 this year, and reorganize into modular combat brigades, as well as fill in rotations to Iraq and Afghanistan, have created a need for many more officers, and they hope to generate 600 more graduates from OCS to help fill that need. The Army National Guard and the Army Reserve are preparing similar programs.

Major Gen. Robert Scales (ret.) told the *Sun* that he found it "disturbing" that the Army was willing to waive regulations on offenses, and commented that it was unusual to stretch the age limit so high. "Now that we're in the third year [of Iraq and Afghanistan], we're starting to see some fissures in the officer corps," he said.

U.S. Will Not Block ElBaradei Third Term at IAEA

The U.S. State Department announced on June 9 that it would support a third term for Mohammed ElBaradei as head of the International Atomic Energy Agency, after a meeting between ElBaradei and Secretary of State Condoleezza Rice. They reportedly agreed on the urgency of halting the spread of nuclear weapons, and that the UN agency should focus on suspicious Iranian activities. State Department spokesman Sean McCormack said that if other nations on the IAEA's board voted this summer to reappoint ElBaradei, the U.S. would join the consensus. Reuters reported that U.S. officials acknowledged that Washington reversed its position because it had been unable to erode support for ElBaradei, in spite of a year-long campaign of pressure, adding that its support was conditioned on ElBaradei getting tougher with Iran.

Reuters otherwise reports that ElBaradei has informed Iran that the IAEA board would hear a report on progress in the agency's Iran probe next week. The June 9 *Los Angeles Times*, on Iran's huge nuclear plant near Natanz, reports that an IAEA team has begun work there, to verify whether Iran is complying with its announced enrichment suspension.

House Bill Gives CIA More Overseas Authority

A statement issued May 24 by U.S. Rep. Pete Hoekstra (R-Mich), chairman of the House Permanent Select Committee on Intelligence, declared that H.R. 2475, the Intelligence Authorization Act for Fiscal Year 2006, is "the first intelligence authorization that will fund programs and budgets to be managed by the new Director of National Intelligence." It will also

give the CIA authority to coordinate all "human intelligence activities overseas," according to an article by Walter Pincus in the *Washington Post* June 7. These activities include those carried out by Pentagon and FBI personnel. The language of the bill was "designed to clarify roles of the CIA director and the new Director of National Intelligence (DNI) regarding the collection of intelligence outside the United States 'by any department, agency or element' of the U.S. government," the *Post* said. CIA Director Porter Goss would develop this process, but it would be subject to the approval of the DNI, John D. Negroponte.

Is Bush Campaign Funding Coming Under Suspicion?

Investigators are now beginning to look into a tax-avoidance scheme run out of the Isle of Man, a tax haven off the coast of Britain, involving Texas billionaire brothers Sam and Charles Wyly, the London *Independent* reported June 6. The Wyly brothers are huge Bush family supporters, each having given \$200,000 to various campaigns.

Earlier this year, Manhattan District Attorney Robert Morgenthau began investigating what seemed to be a scheme to turn over stock options to trusts, some with no employees, or headquartered in local farmhouses. By such means, the Wyly brothers have managed to avoid paying taxes in the range of \$100 million in one scheme, and as much as \$700 million in another, that ranged over 11 years. Morgenthau's findings have now provoked the interest of the IRS and the SEC, both of which have joined in the probe.

Judge Upholds Gregoire Election

In a ruling issued June 6, Washington State Judge John Bridges upheld the election of Gov. Christine Gregoire (D), and rejected GOP claims that wrongdoing, fraud, and felon voters were the reason why her GOP opponent Dino Rossi lost. Prior to this case, Rossi, a Republican, won the initial election tally by 261 votes. He also won the mandatory machine recount by 42 votes. But in the final hand recount, paid for by the Democrats, Gregoire moved ahead. This set the stage for a showdown.

The Republicans contested the hand recount in court, focussing their argument on foul-ups in the counting, most of them located in King County (Seattle). They argued that the two initial machine-counted tallies were less error-prone than the final hand recount. They also claimed that hundreds of felons voted illegally. But the judge rejected the method proposed by Republicans for apportioning the number of felons who voted for Gregoire. The judge went further in his statement, saying Gregoire would have won even if the Republicans' faulty arithmetic was applied. Judge Bridges said the burden of proof for nullifying an election was not met. "An election such as this should not be overturned because one judge picks a number and applies a proportional analysis. To do so within the context of the facts of this case would constitute the ultimate act of judicial egotism and judicial activism." The Republican attorney said he was surprised by how thoroughly the judge dismissed the proposed method for deducing illegal votes.

Bolton Caught in Major Fraud

John Bolton, President Bush's choice for U.S. Ambassador to the United Nations, has been caught in a major fraud. Associated Press reported June 4. Bolton reportedly forced the illegal firing of the head of UN chemical weapons inspections in 2002, to prevent inspections in Iraq before the war. The fact that John Bolton had forced an emergency meeting of the Organization for the Prohibition of Chemical Weapons (OPCW) in April 2002, to ram through a vote of no confidence in its longstanding chief, Brazilian Jose Bustani, was known at the time. An effort a month earlier to force the regular meeting of the board to fire Bustani had failed, and a personal visit by Bolton to intimidate Bustani into resigning also had failed. (Bustani reported that when he refused, Bolton told him: "Now we'll do it the other way.")

What AP has now discovered is that Avis Bohlen, a career diplomat who retired as a top deputy to Bolton in June 2002,

has revealed what was suspected at the time, that the pretext for dumping Bustani, i.e., "mismanagement," was a fraud, that Bolton was trying to stop Bustani from sending a team into Iraq to confirm that Iraq had destroyed its chemical weapons. The U.S. had no veto over such a move, as it did in the UN Security Council. Bohlen told AP, "It was that that made Bolton decide he had to go," describing Bolton as "very much in charge of the whole campaign."

Note that the April 2002 action came just weeks after the now-infamous agreement between Bush and British Prime Minister Tony Blair to go to war on Iraq, long before the UN votes.

In July 2003, a year after the dumping of Bustani, an appeal board of the Administrative Tribunal of the International Labor Organization, which hears UN agencies' cases, ruled that the firing had been "unlawful" and that international civil servants must not be made "vulnerable to pressures and to political change."

Lyndon LaRouche's comment on the revelations was that Bolton had been caught in a fraud on the United Nations, which is certainly grounds for rejection to the post of U.S. Ambassador to the UN, and would totally discredit him in that post if he were to be allowed through in the Senate.

Ibero-American News Digest

Bolivian Government Falls; Nation Heads for Civil War

The night of June 6, Bolivian President Carlos Mesa tendered his resignation, in a televised address to the nation. He then made a second address, to issue a dramatic appeal: "The country cannot play with the possibility of breaking into a thousand pieces. This is a plea from a President on his way out, to a country that is on the edge of civil war."

After several days, the leaders of the two houses of Congress who were constitutionally next in line stepped aside, and Supreme Court President Eduardo Rodriguez was sworn in as President on June 9. Rodriguez immediately announced that early Presidential elections would be held within 150 days.

Mesa's resignation followed weeks of protests by tens of thousands of peasant farmers and miners, who have blockaded all roads into the capital, La Paz, halted most inner-city commerce and transport, cut off all highway connections to other countries, occupied seven oil-and-gas fields, and held increasingly violent demonstrations to demand nationalization of the country's oil-and-gas wealth and the convocation of a Constituent Assembly to reform the government. The primary leadership of the protests has been the MAS Party, led by Evo Morales, leader of the nation's coca-farmers.

There will be no solution, however, to Bolivia's crisis, until the overturning of the International Monetary Fund policies which, over the past two decades, have looted the nation and driven its impoverished people over the brink. According to the Bolivian Statistical Institute, 36% of Bolivia's 8.7 million inhabitants are unemployed; 64% live below the poverty line; and 37% are indigent. Among children, 51% are anemic, and 27% have suffered at least one instance of acute diarrhea. Both these maladies are frequent causes of death.

Bush Intervention Plans Rejected at OAS Meeting

The Bush Administration failed to ram through a "democracy" initiative at the June 5-7 Annual General Assembly of the Organization of American States in Fort Lauderdale, Fla. Against the backdrop of a crashing world economy, and profound crises afflicting every nation in the region, the Ibero-American nations refused to adopt the U.S.-proposed mechanism to "monitor" democratic institutions, including surveillance and policing capabilities by "civil society" and NGOs. Opposition

had been expected, but not the "ferocity" which it encountered from at least ten of the major Ibero-American countries.

The final document, "Declaration of Florida, Delivering the Benefits of Democracy," instead emphasized that democratic stability is intimately linked to economic development, and levels of poverty, unemployment, and social problems. Not included, but particularly telling, was a proposal made by Argentina, which states that "the generation of decent, productive jobs, discrimination-free trade, and the reformulation of the multilateral financial system" are required to strengthen democratic stability in the region.

This is precisely the kind of discussion which Secretary of State Condoleezza Rice identified as a "threat" to the region, in an interview published June 5 in the *Miami Herald*. Rice attacked those "tendencies" in Ibero-America that refuse "to tell people that there are going to be difficult choices" on the economy; those who either "find either external ways to blame conditions ... or to say that, well, we don't have to keep up with the fundamentals of good economic performance, we don't need to worry about open markets, ... you don't have to be fiscally responsible. That's a bad thing and that sometimes happens in Latin America."

Brazil's Amorim Gives Rice a Lesson in Democracy

"Democracy cannot be imposed; it is born of dialogue," Brazil's Foreign Minister Celso Amorim stated in his June 6 address before the OAS General Assembly. He argued that the Inter-American Democratic Charter, passed in 2001, does not override the OAS founding charter, which specifies that the principles of non-intervention and sovereignty, along with peace, justice, and solidarity, must determine relations among the member states. "Cooperation and dialogue, rather than interventionist mechanisms, must be the key concepts."

A day earlier, Amorim rejected the U.S. proposal to create a permanent committee of the OAS to monitor democratic institutions in the hemisphere, issue annual evaluations, and act preemptively to prevent crises before they occur, as an attempt to turn the OAS into some kind of "a security council."

Key Synarchist Named Mexico's Interior Minister

Carlos Abascal was named Mexico's new Interior Minister, by far the most powerful position in the Federal government after the Presidency itself. The June 2 designation places Abascal, until now Labor Minister in the Fox government, in the critical post for shaping the 2006 Presidential elections in Mexico. The outgoing Interior Minister, Santiago Creel, is the likely PAN Party candidate, and he reportedly hand-picked Abascal to succeed him—and presumably to ensure his electoral victory.

Carlos Abascal is the son of Salvador Abascal, one of the founders of the fascist National Synarchist Union (UNS) of Mexico. The younger Abascal is also a leading ideologue of Mont Pelerinite ultra-liberalism, and is the author of the notorious Abascal Law for labor "reform"—Pinochet-style fascist labor recycling—which he pushed as Labor Minister.

Lopez Obrador Pushes High-Speed Rail for Mexico

Mexico City Mayor and PRD Presidential pre-candidate Andres Manuel Lopez Obrador announced that, if elected President, he intends to promote the construction of a high-speed train. A press release issued on June 6 by his office specified that he is "studying the possibility of linking Mexico City to the northern border with a rapid train, a bullet train, with two branches, one of which goes to Guadalajara, along the Pacific route, through the cities of Tepic, Culiacan, Hermosillo, and Mexicali, ... and on the other side, all the way to Laredo, passing through Queretaro, San Luis Potosi, Saltillo, and Monterrey."

U.S. statesman Lyndon LaRouche found the proposal very interesting, but emphasized that such a rail system must not only transport passengers, but also freight. The transport of passengers is useful, but the most important thing is the integration of the economy.

Army Corps of Engineers Mobilized for Brazil Project

The Brazilian government will use the Army's Engineering Battalion to launch the huge project to divert the waters of the Sao Francisco River, according to *Valor Online* of June 6. This project, first discussed more than 150 years ago, has more recently been associated with the work of the Tennessee Valley Authority (TVA) under Franklin D. Roosevelt's Administration. President Lula da Silva and several of his cabinet members have often referenced the significance of the Sao Francisco project, as being similar to the TVA in its potential for opening up huge areas now plagued by drought, to agricultural and other development in Brazil's arid northeast.

In 1942, a technical mission sent to Brazil by FDR, headed up by his friend Morris Llewellyn Cooke, identified the Sao Francisco River Valley as an ideal site for TVA-like development. Cooke later wrote, in his study, "Brazil on the March: a Study in International Cooperation": "The San Francisco Valley is a valley of poor people. They are poor because of drought, flood, some worn-out and much-eroded land, disease, ignorance and lack of industrial opportunities.... What the United States has done for the people of the Tennessee Valley through the Tennessee Valley Authority, Brazil can do for those in the valley of the San Francisco."

The government appears to be putting the project, previously delayed by environmental groups, on a fast track. The National Integration Ministry will sign a permanent agreement with the Army in order to begin work on the project by the end of July. It is estimated that the project will take 14 months to complete.

Although private engineering and construction firms will also participate in the project, enlisting the Army, whose Engineering Battalion has a reputation for excellence, will "bypass bureaucratic procedures," *Valor* explains. The engineers will build canals at two points to catch the river's water, and transport it to two dams from which it will be pumped to a network of canals built throughout the region. In 1994, Brazil's then-Public Works Minister Aluizio Alves told *EIR* that the project to divert the Sao Francisco's waters would neutralize the terrible drought which regularly affects the semi-arid regions of four northeastern states—Ceara, Paraiba, Rio Grande do Norte, and Pernambuco. Increased food production resulting from the use of irrigation, would help mitigate hunger, generate employment, and increase the population's income, Alves said.

Western European News Digest

Brits Won't Beat Dead Horse: EU Constitution Vote Suspended

The beleaguered European Union Constitution took another hit on June 4, as the Tony Blair government in Britain announced to Parliament that the vote on the constitution has been officially suspended. With the particular British flair for understatement, British Foreign Secretary Jack Straw noted that "the European Union does now face a period of difficulty."

The day of the announcement, the British labor unions issued a news release headlined, "Trade Unionists Welcome Killer Blows to EU Constitution." The TUAECU (Trade Unionists Against the EU Constitution) "congratulated the peoples of France and the Netherlands for voting decisively against" the charter. Blair has been losing the support of the labor section of the Labour Party over his support of the Iraq war and other Bush/Cheney policies.

These referendum votes "reflect the rejection of EU plans to turn the privatization of public services into a constitutional principle and to undermine the sovereignty of EU member states," the trade-union release said, quoting TUAEEUC spokesman Brian Denny. "It is increasingly clear that the German people would also have voted 'no,' had they been given the chance, not least because of the terrible damage the single currency is inflicting on their economy," Doug Nicholls, also of the TUAEEUC, said.

"The hostility to the Constitution demonstrated in France and the Netherlands reflects the majority opinion of working people in Britain," added Bob Crow, chairman of this campaign and general secretary of the railway workers union. "The choice is quite clear: Do you want member states to hand over power to Brussels and even more of their public services to privateers, or not?"

Synarchist Bankers Threatening European Leaders

As of June 9, at least one meeting between representatives of private-equity and hedge funds and the German Ministry of Finance took place, during the past two weeks, according to a well-informed source close to the German Finance Ministry. The source had been briefed on the June 9 report that *EIR* had received from France, that the new Prime Minister Dominique de Villepin and the new government of France, formed following the landslide vote rejecting the European Constitution, were warned in strong terms *not* to harm the Maastricht financial order drawn up by international bankers.

The German source did confirm that there was, in Germany, "not one particular meeting of the kind you mean, but several meetings have taken place ... as they always do."

And a second source at a German Federal agency, close to financial and economic matters, when briefed on a visit that the French Prime Minister received from two blackmailing "men in black," before his inaugural address, said that something like that could also happen in Germany. The source, however, requested anonymity.

A source in Berlin, noting that Social Democratic Party chairman Franz Muentefering has backpedalled from his attacks on the financial "locusts" four weeks ago, said that he is convinced that the bankers told the SPD they had better stop it, or the bankers would begin to speak out on some dirty little deals the Social Democrats have been involved in." Furthermore, he said, the Chancellor and the SPD are aware that the moment they move against hedge funds and the like, 99% of the media, which are anti-SPD, would attack them fiercely.

Minister Proposes a Double-Currency Regime for Italy

In an interview with *Corriere della Sera* June 11, Roberto Calderoli, Minister for Reform in the Italian government, explained his idea for an Italian breakout of the euro system. "The most viable hypothesis is a double system: the simultaneous circulation of the euro and of a national currency. We can call it 'lira,' or 'calderolo.'" This is one of three proposals to be discussed on June 6 at the leadership meeting of Calderoli's party, the Lega Nord (Northern League), he said.

The other two possibilities are: 1. a return to the lira system as it was before the European Monetary Union; and 2. a return to a lira pegged to the dollar. Calderoli does not like the latter option, because "of the unhappy experience of Argentina." "The euro is good for foreign trade, public debt, and makes tourism easier. Then, the national currency, a real or a virtual one, has other advantages. It must be connected to something concrete, a basket.... If today, a Big Mac costs one 'calderolo' or one euro, and next year it costs one 'calderolo' and 1.20 euros, it is clear that the euro has forced a price increase. The citizen is free to use either of the two."

Poland Will Take Its Time Entering European Union

In an interview published in *El Pais* of Spain on June 10, Polish Prime Minister Marek Belka underlined that, although he thinks that somehow the ratification process of the EU Constitution should continue, "the heads of state and government must give to ourselves time to reflect and to calm down."

Not only did the EU Constitution receive two back-to-back defeats at the polls in France and the Netherlands, but in Poland, the ruling SLD is in a state of decomposition and probably will be replaced by a new conservative/liberal government coalition.

Any speculation about a newly negotiated EU treaty would be premature. All the talk that it was the EU expansion, and the fear of the so-called Polish "plumber"—i.e., immigrant workers—which contributed to the worries in France and Netherlands, Belka qualified as nonsense. "I think that French society has not been accustomed to live through many changes, as we have in Poland, where in the last 15 years practically every day something changed." More important than the fear of some Polish immigrant workers in France, Belka said, would be the problems related to globalization and outsourcing of production from France into cheap-labor countries such as China.

Pope Benedict XVI Meets World Jewish Leaders

Pope Benedict XVI met with 25 world Jewish leaders in Rome on June 9, including Edgar Bronfman, chairman of the World Jewish Congress.

After praising the landmark document of the Second Vatican Council, the Pope said that the Vatican "deplored any manifestations of hatred, persecution, and anti-Semitism." Benedict added, "At the very beginning of my pontificate, I wish to assure you that the Church remains firmly committed, in her catechesis and in every aspect of her life, to implementing this decisive teaching.... It is my intention to continue on this path. The history of relations between our two communities has been complex and often painful. But I am convinced that the spiritual patrimony treasured by Christians and Jews is itself the source of the wisdom and inspiration capable of guiding us toward a future of hope in accordance with the divine plan."

The Pope discussed with Edgar Bronfman the possibility of cooperation in founding and funding a program to fight AIDS in Africa. Also among the group were Rabbi David Rosen of the American Jewish Committee, former Israeli Ambassador to the Vatican Samuel Hasa, Chief Rabbinate director general Oded Wiener, and heads of the Reform, Conservative, and Orthodox movements in the United States.

Russia and the CIS News Digest

Mosenergo Chief Resigns in Shakeout Over Blackout

Arkadi Yevstafyev resigned as general director of Mosenergo, the Moscow electric power company, after the harsh criticism he and the utility came under from President Vladimir Putin at a June 4 Security Council meeting, held to review the May 25 power blackout in the Russian capital.

Putin had ridiculed Mosenergo's attempt to blame the event on underfunding, noting that its executives paid themselves multimillion-dollar bonuses, but failed to maintain plant and equipment—although the four-decades-old transformers that failed could have been replaced at under \$5,000 apiece. The Russian President termed the excuse "simple blackmail, an effort to protect corporate interests at the expense of consumers and, therefore, the entire country." He told Prime Minister

Mikhail Fradkov to look into "the cynicism and obvious professional incompetence of the Mosenergo leadership," adding that "it would also be useful to check the tax payments of Mosenergo. It seems strange that some of its subsidiaries are based in Cyprus." This last was a somewhat disingenuous remark about a situation that is rampant in Russian business, but it echoed loudly, in the wake of the conviction of Yukos Oil execs for tax fraud.

Yevstafyev is the former personal secretary of Anatoli Chubais, who headed the State Property Committee in the mid-1990s, and is now CEO of United Energy Systems (UES), the parent company of Mosenergo. In 1996, Yevstafyev was one of two men detained while carrying half-a-million U.S. dollars in cash, in connection with the 1996 Presidential election campaign. Chubais protected Yevstafyev at that time, Russian commentators have noted.

Chubais has been questioned by prosecutors in connection with the blackout, but Putin did not attack him personally during the State Council session. Political Research Institute Director Sergei Markov noted June 4 that Chubais—who is attempting to reform UES, based on British and related models of utilities privatization—is still strongly supported by Finance Minister Aleksei Kudrin and Minister of Economic Development and Trade German Gref, with whom Putin does not see fit to break.

Moscow Mayor Yuri Luzhkov's recent high profile as a critic of Chubais and, especially, his cabinet allies Kudrin and Gref, therefore puts a point on June 8 reports that Mosenergo Deputy General Director Dmitri Vasilyev has proposed to sell a controlling stake in the company to the city of Moscow, by means of a new shares issue. First Deputy Mayor Yuri Roslyak, in a June 8 *Ekho Moskvy* interview monitored by RFE/RL Newsline, bolstered the reports by pointing out that the city wants 1.7 billion rubles (\$56.7 million) compensation for the blackout.

Russian-Chinese Economic Talks in St. Petersburg

Officials meeting at the First Russian-Chinese Business Forum, held in St. Petersburg the week of June 6, agreed to boost bilateral trade from \$20 billion (achieved in 2004, two years earlier than anticipated) to \$80 billion annually. A special joint working group will seek ways to increase of the scope of cooperation.

Taking part from the Russian side were Minister of Economic Development and Trade German Gref, Presidential representative for the Northwest Federal District Ilya Klebanov, Moscow Mayor Yuri Luzhkov, and St. Petersburg Governor Valentina Matviyenko. Ma Kai, Chairman of China's State Committee for Development and Reforms, Vice Premier Zeng Peiyan, and Cai Laising, president of Shanghai Foreign Investment & Construction Corporation, were in the Chinese delegation.

Zeng said that China was prepared to invest \$12 billion in the Russian economy over the next 15 years. Included would be the \$1.3 billion Baltic Pearl residential and commercial development project, being launched by Shanghai investors and builders on a 200-hectare tract in southwest St. Petersburg. Other possible projects are construction of a major pulp mill in Khabarovsk Territory in Russia's Far East, a petrochemicals plant in Moscow, and an agro-industrial complex in Nizhny Novgorod. Mayor Luzhkov told the forum about a new Chinese project in Moscow, known as Huangming Business Park, which is to be completed by 2010.

In his speech, Gref also focussed on bilateral cultural cooperation, emphasizing that the number of Russian secondary schools and universities offering Chinese-language instruction is quite insufficient.

Rosneft and Sinopec Sign Strategic Agreement

On June 9, Russia's state-dominated oil company Rosneft and China's Sinopec (which includes the Chinese National

Petroleum Company, CNPC) signed a memorandum of cooperation, including provisions for certain joint projects, *Izvestia* reported June 10. In particular, the two companies will develop oil-shelf projects on Sakhalin, and oil refining in the Russian Far East. In 2006, Rosneft and Lukoil are going to boost Russian oil exports to China from 10 to 15 million tons, for that year. "Rosneft has effectively replaced Yukos in Russian-Chinese oil cooperation," explained *Izvestia* author Fyodor Chaika.

According to Chaika, the "mysterious" \$6 billion received by Rosneft in December 2004 for the acquisition of Yukos's major production unit, Yuganskneftegaz, was advance payment by CNPC for the future delivery of 48 million tons of oil.

Prosecutor Projects More Cases, After Yukos

Russian Deputy Prosecutor General Vladimir Kolesnikov gave an interview on NTV June 5, speaking publicly after the sentencing of ex-Yukos Oil CEO Mikhail Khodorkovsky to nine years in prison for tax evasion. "We have more files in store," said Kolesnikov, and the Yukos case "will not be the last." He also hinted that Khodorkovsky and other former Yukos execs might face separate, "purely criminal" charges, for organizing murders and attempted murder.

Kolesnikov is a powerful figure in the Prosecutor General's office, who speaks out only occasionally. He is reputed to have initiated the prosecution of tycoon Boris Berezovsky, who fled into exile in London. Kolesnikov is also on record as saying that the Central Bank of Russia should be a state-controlled institution, providing credit for the economy to function, rather than being remodelled after Western central banks, as it was in the 1990s.

On June 9, the Ministry of Internal Affairs filed a criminal suit against a subsidiary of LUKoil, Naryanmar Oil and Gas, for evading 24.5 million rubles of taxes in 2004 by falsifying VAT information. Naryanmar, in the far northern Nenets Republic, is currently undergoing transformation into "Rusco," a joint venture of LUKoil with ConocoPhillips.

Itar-TASS reported June 1 from unidentified Russian government sources, that first-quarter budget revenues were 50% above target, at 1.2 trillion rubles (\$40 billion). Among other factors, the source cited the collection of penalties from Yukos Oil, as well as payment of tax arrears by another oil company, Sibneft, and some unnamed firms in the oil-producing republic of Bashkortostan.

Russian Defense Minister: No NATO in Black Sea

Attending a NATO Defense Ministers' meeting in Brussels June 10, Russian Defense Minister Sergei Ivanov voiced objections to NATO's plans for expanding its Mediterranean anti-terror operations into the Black Sea. There would be no reason for Operation Active Endeavor, a mission that has monitored shipping in the Mediterranean and Strait of Gibraltar since Sept. 11, 2001, to begin patrolling the Black Sea, Ivanov said.

In the area of cooperation, Ivanov said that joint exercises by Russian and NATO ground units might be held near Pskov, Russia, next year.

Southwest Asia News Digest

Israel Computer Spying Linked to 'X Committee'

A computer-espionage scandal is wracking Israel, with top executives from a number of major Israeli companies, and employees from three private detective agencies, having been placed under arrest. The probe centers on the use of "Trojan

Horse" computer software to spy on other companies and to steal secret computer data from them.

According to a well-informed Israeli with ties to the intelligence community, the Trojan Horse operation was also used to penetrate British MI6, and U.S. intelligence agencies. The source also said that Trojan Horse is linked to the "Amdocs" operation which *EIR* had exposed shortly after the 9/11 attacks.

See " 'X Committee' Out To Blow Up Southwest Asia," in this week's InDepth, for the story of how this intersects with the espionage case of Jonathan Jay Pollard, captured in 1985, and with the ongoing probe of Pentagon analyst Larry Franklin, and the American Israel Public Affairs Committee (AIPAC).

'Clean Break' Hit-Men Threaten Syria

A high-level source in Lebanon told *EIR* on June 10 that neo-con circles around the Hudson Institute are circulating a secret document to the U.S. Senate, allegedly "proving" that Syria was responsible for the assassination of former Lebanese Prime Minister Rafik Hariri; the document claims that Syria has a hit-list of other leading figures targeted for assassination as well.

Since the inauguration of the Bush-Cheney Administration, the Hudson Institute has served as one of the major centers for spreading the doctrine of the "Clean Break" war plan, and for neo-conservative disinformation used to implement the "Clash of Civilizations" war against the extended "axis of evil" list of countries: Iraq, Iran, Syria, and the Palestinian Authority. In 2003, in an effort to set the stage for immediately expanding the Iraq war—which had already been drawn up by George W. Bush's Vulcan controllers prior to his election—the Hudson Institute hosted an anti-Syria event featuring former Lebanese interim President Michel Aoun as the "face of democracy" in Lebanon. Today, as then, Lebanese leaders, including Christians, firmly disagree with building up Aoun as a hero.

And, there is nothing democratic about the Hudson Institute's neo-cons.

The Mideast Policy Center of the Hudson Institute is directed by Meyrav Wurmser, who, along with her husband David Wurmser, Richard Perle, the defrocked head of the Defense Policy Board of the Pentagon until 2004; and Douglas Feith, architect of the rogue intelligence unit, the Office of Special Plans, wrote the infamous 1996 Clean Break document, spelling out an attack on the Mideast peace process. A key element of the Clean Break document was a military assault on Syria and the overthrow of its Ba'athist regime, following the destruction of Saddam Hussein's regime in Iraq.

The Wurmsers helped orchestrate the appearance of then-exiled Lebanese General Aoun and the now-notorious John Bolton before a House International Affairs Subcommittee, which led to the passage of the October 2003 Syrian Accountability and Restoration of Lebanese Sovereignty Act, which was itself modelled on the Iraq Liberation Act which had set the Iraq war into motion. The UN passed Resolution 1559 on the basis of the Syria Accountability Act. The same neo-con apparatus ran the massive disinformation campaign about Iraq, alleging a nuclear program, and links to al-Qaeda terrorists, which did not exist.

Now, in a replay of the Iraq disinformation debacle—this time against Syria—the "secret report" about Syria's alleged authorship of the assassinations of Hariri and Samir Kassir, being circulated by the neo-cons in Washington, has already been "shopped into" the Administration, and is being used to push for military action, and elimination of the Presidency of Bashar Assad.

On June 9, Secretary of State Condoleezza Rice stated, on the PBS Charlie Rose television program, "We need to be very clear that we expect a full investigation of the assassination of Mr. Kassir, following on the assassination of Mr. Hariri...."

Because what we don't want is that there is a pattern now of assassination of key figures ... and I think it would have to point a finger at those forces that have been destabilizing Lebanon."

On June 10, in the State Department daily briefing, spokesman Sean McCormack was asked, "Does the U.S. have credible word that Syria has a hit list targetting opposition figures in Lebanon?" He answered, "We are deeply concerned about Syria's interference and intimidation inside Lebanon. Syria needs to comply fully with the United Nations Security Council Resolution 1559.... We see a pattern of the use of threat and violence to create an atmosphere of intimidation inside Lebanon." A reporter protested, after McCormack's answers to seven questions along these lines, "That doesn't really tell us what you think Syria is actually up to in this election. I mean, threat and intimidation of whom? How?" McCormack answered, "Again, I can't really get into intelligence matters, but we do, as I said, have these longstanding concerns."

On June 10, President Bush also weighed in, expressing his "concern" about the "pattern" of assassinations.

Since the elections in Lebanon have been open and peaceful, the warmongers in the Bush Administration are resorting to the spread of outright lies and a pastiche of intelligence factoids to justify the unjustifiable war against Syria. It is time for the U.S. Congress, along with true Lebanese patriots to speak out against this disinformation campaign, before another hot war in Southwest Asia is started by the Cheneyacs.

Ex-Shin Beth Chief: Gaza Pullout Will Improve Israel's Security

Former Israeli Shin Beth head Avi Dichter said that the settlers will be pulled out of Gaza, and this will improve, not worsen, Israel's security situation, *Ha'aretz* reported June 10. This view is widespread, and support for it is growing in Israel, according to senior military and intelligence analysts there.

In a retort to former Israeli Defense Forces' chief of staff Moshe Ya'alon, who had told *Ha'aretz* the previous week that pulling out of Gaza would renew conflict in the West Bank, Dichter said: "I heard his assessment.... I don't know of intelligence that supports this. I don't know of logic that supports this." The threat of militants in the Gaza Strip launching Qassam rockets at Israel, will not be greater, Dichter said. When the settlers and IDF are out of Gaza, there will be far fewer Israeli targets in Gaza, and, if necessary, the IDF would have more military flexibility.

Dichter said that the pull-out from Gaza will go forward. "Extreme scenarios are possible, but the critical mass of the evacuees will resist passively," he said. "It will be difficult and unpleasant, and it isn't going to look good on television, but we'll get through it."

Construction in Israeli Settlements Skyrockets

There was an 83% increase in new construction in the Israeli settlements in occupied Palestinian territories in the first quarter of 2005—despite the announcement of Israeli Prime Minister Ariel Sharon's so-called disengagement plan. The plan calls for an evacuation of all settlements in the Gaza Strip, and four of the 120 in the West Bank. Construction began on some 560 apartments in the settlements in the first three months of this year. In Jerusalem, which is to say, the parts that sit on the other side of the 1967 borders, construction has increased by 113%.

Meanwhile, construction *within* Israel's 1967 borders decreased by 6% nationally.

Since the publication of the official Sasson Report, which detailed how various government departments and ministries illegally financed the expansion of the settlements, as well as over 100 so-called outposts, no action whatsoever has been taken to stop it. In fact, dozens of buildings have been erected at the outposts, including the related infrastructure, such as

roads, water lines, and electricity, turning them into mini-settlements.

Talia Sasson, former government attorney and author of the report, told a seminar at Ben Gurion University, "Since the report was submitted, nothing has happened. It was well publicized, and that's good, but everything is continuing. Perhaps the Housing Authority has closed a few taps, but there has been no operative decision and construction continues in the outposts," Sasson said.

"The goal of the report was to end the illegal construction, she added. "This is not a matter of political outlook; we are talking about the state violating its own laws, and when a state's own authorities break the law, this is a severe blow to the rule of law. When such things happen, the democratic system is liable to be undermined." Sasson cautioned.

The report was commissioned and accepted by Sharon, but was seen as an attempt to placate the Bush Administration, which has dutifully been complaining about expansion of the settlements.

In the first three months of this year, 197 incidents of illegal construction in the outposts were observed, but only in 37 of the cases was something done about it. Two-thirds of these incidents occurred after the release of the Sasson report.

Veterans of Iraq and Afghanistan Wars Homeless

While the reported numbers are small, so far, given the numbers of people serving in George Bush's two wars and the reported rising rate of post-combat mental disorders, the problem of homeless veterans of the Iraq and Afghanistan wars, is likely to grow over the coming years. Linda Boone, the executive director of the National Coalition for Homeless Veterans, says that about 70 veterans of Iraq and Afghanistan contacted her organization for help in 2004, and another 125 have petitioned the Veterans Administration. "It's not a big wave, but it's an indicator," she said, as reported in *Stars and Stripes* June 2.

Asia News Digest

Bush Administration at Odds Over North Korea Policy

Over the weekend of June 4-5, a "senior Pentagon figure" told the media travelling with U.S. Secretary of Defense Donald Rumsfeld in Asia that the U.S. would be deciding within a few weeks, whether or not to take North Korea to the UN. But, on June 6, the *New York Times* released a report based on discussions with the colleagues of the U.S. representative to the six-party talks, Assistant Secretary of State Christopher Hill, confirming Japanese reports of new contacts between Hill's office and the North Korean mission in New York, following meetings which took place in May. David Sanger of the *Times* reported that "the long debate in the Administration over how to handle North Korea may be coming to a boil," and that Hill is "looking for leeway to give North Korea incentives to return to the talks, but is meeting resistance from officials who want to stand pat with Mr. Bush's vaguely worded offer last June to improve relations once North Korea begins dismantling its nuclear facilities and allows full inspections"—i.e., Cheney's position that Pyongyang submit or be bombed.

A former Bush Administration official who worked on North Korea told *EIR* that Hill, who negotiated the Bosnia agreement in 1995, is trying to get some negotiating room from the Administration, but the source doesn't think he'll get it, since the rest of the Administration is in lock-step on the "implementation team," as he calls it, referring to the Cheneyacs.

Secretary of State Condoleezza Rice, President Bush, and Rumsfeld all officially distanced themselves from the "senior Pentagon official" who put a limit of a few weeks on taking the Korea issue to the UN, with Rice saying that that was too "forward leaning."

U.S. Embassy Implicated in Alleged Philippine Vote Fraud

Videotapes which appear to show Philippines President Gloria Macapagal-Arroyo and her husband arranging vote fraud are reported to have come from the U.S. embassy, according to the *Daily Tribune* June. 7. The tapes, which have been reported privately for months, were released by the Presidential Palace after being leaked on the radio, with claims that they had been doctored. When Presidential spokesman Ignacio Bunye said the government was investigating the report that the tapes had come from the U.S. embassy, a firestorm erupted. While the embassy denied the story, it is believable, given the "parting shot" of outgoing neo-con U.S. Ambassador Francis Ricciardoni last month. Ricciardoni called on the Filipino people to use "peaceful" means to bring about regime change—an overt reference to the "Soros-style" mass demonstrations, called "people's power," which covered for two previous U.S.-orchestrated coups in the Philippines—against Ferdinand Marcos in 1986 and Miguel Estrada in 2001.

Senate opposition leader Aquilino Pimentel called for Arroyo to resign, while the minority leader in the House, Rep. Francis Escudero, said that the government's "excessive paranoia" in releasing the tapes will backfire on them.

Arroyo is already under threat of impeachment for a variety of sins. Brigadier Gen. Jose Angel Honrado, spokesman for the military leadership, on June 6 admitted that there was extensive recruitment going on in military and police ranks for a coup.

Philippines Military on Full Alert as Presidential Crisis Mounts

The military alert comes in the midst of a raging crisis over the release of a tape which may show President Gloria Macapagal-Arroyo and her husband talking to election officials about fixing the May 2004 election, while Arroyo was also forced to call for a special investigation into what she admitted were "serious" charges against her husband, her son, and her brother-in-law for taking illegal payoffs from the numbers racket—the same charges used to justify the coup against former President Miguel Estrada in 2001.

Even if the tapes were doctored, as Arroyo claims, the fact that the President was being taped is a crisis in itself. Only the Intelligence Services of the Armed Forces of the Philippines (ISAFP) and the U.S. embassy are believed to have the capability to do such a wiretapping. The head of the ISAFP, Brig. Gen. Marlou Quevedo was suddenly replaced June 9 without explanation.

Arroyo gave a live radio interview announcing that she would not resign, nor stop implementing austerity policies to the starving nation, which she describes as efforts to "revive the economy." The stock market collapsed by 7% over a three-day period, as the crisis unfolded, and the peso fell to a new low against the dollar.

Arroyo also forced the resignation of the chairman of the National Labor Relations Board, Roy Seneres, accusing him of meeting with U.S. Ambassador Francis Ricciardoni in an effort to bring about her ouster through another phony "people's power" front for a coup. Seneres, who admits meeting with Ricciardoni, claims that the ambassador said that only "constitutional means" should be used to replace the President—but that the "people's power" coups were in fact "constitutional."

The Bush Administration's anger over the Arroyo government's pullout from Iraq, and Manila's growing ties with China, have been cited in the Philippine press as possible reasons for U.S. backing for a coup, as in 1986 and 2001.

Malaysia Rules Out Foreign Military in Malacca Straits

Malaysia firmly opposes any idea of allowing foreign naval or coast guard vessels to act as armed escorts against pirate attacks for ships passing through the Straits of Malacca, Malaysia's Deputy Prime Minister Datuk Seri Najib Tun Razak told the annual Shangri-la Dialogue held in Malaysia June 5.

"Malaysia is steadfast in its belief that the littoral states—Singapore, Indonesia, and Malaysia—are capable of patrolling the Straits without external intervention."

Najib, who is also the Defense Minister, said while Malaysia recognizes that it has been a common practice for merchant ships to carry small firearms in the Straits, Malaysia is concerned about the possibility of introducing larger and more offensive systems.

Regarding the "private" security operations which are hiring themselves out as armed escorts to ships passing through the Straits, Najib said they are obliged to let them pass, but, "It is at this point that we strongly feel the role of these private security companies should be controlled and regulated and should not impinge on our national sovereignty."

"If the governments can take action against their nationals who committed transnational crimes, that would eliminate the threat," said Tun Razak, adding that it would also be the most effective and cheapest way to eliminate pirates.

Powerful Explosion Targets Bus in Nepal

An explosion killed 40 people and injured over 70, destroying a crowded bus in a rural southern area of Nepal June 5. The powerful explosion, in which about 50 pounds of explosives were buried beneath the roadway, lifted the bus in the air; it split apart as it hit the ground. Police said that the bomb was manually triggered by a wire leading to a tree several hundred feet away, so the operative could obviously see the crowded condition of the bus. Police are blaming Maoist rebels, who control the entire region; however, no one has yet claimed responsibility.

The Maoists have been rebelling in Nepal since 1996, ostensibly trying to establish a communist regime. So far, all they have managed to do is kill over 11,000 victims.

Japan's Population Has Virtually Stopped Growing

One in five Japanese has passed his or her or her 65th birthday and the national fertility rate is spiralling downwards. The national pension system is bracing for a wave of retirees expected in 2007, but cultural resistance makes inviting immigration a taboo subject.

A government white paper shows the population grew by just 67,000, or 0.05%, to 127 million in the year ending October 2004. Without drastic change, the population will stop growing as early as 2006, and begin falling with increasing rapidity until it gets close to 100 million in 2050.

The number of people aged 65 or older is growing by 570,000 or 2.3% in the year to October. Elderly people now make up 19.5% of the population. By the end of 2005, one-fifth of the population will be elderly, and by 2040 that figure will be one-third.

The government and manufacturing industry are working on programs to keep people over 60 in the workforce, but they cannot do much about longevity. In just eight years, the number of Japanese living past 90 has grown from 474,000 to 1.06 million. According to the white paper, age-related social welfare costs, including pensions and medical expenses, account

for 70% of government spending on social welfare.

Meanwhile, the Japanese fertility rate—the number of live births in an average woman's lifetime—continues to spiral downwards. A study released by the Health, Labor and Welfare Ministry shows the latest fertility rate at 1.29, marginally worse than the last survey in 2003 and the lowest on record. Australia's rate is 1.7 and falling, and Italy's is worse than Japan's at 1.24—but those countries have bolstered their demographics by a relatively relaxed attitude to immigration.

Japan does not have that attitude, despite some efforts of the big business group, the Nippon Keidanren, which has been trying to start a debate about opening the door to allow in permanent foreign workers.

Anwar Ibrahim Seeks Political Comeback

Malaysia's former Deputy Prime Minister Anwar Ibrahim has accepted an invitation by the Islamic PAS Party to lead an opposition coalition, Radio Australia reported June 6. PAS made the offer at its annual conference in Malaysia.

Young reformers swept internal elections of PAS (Parti Islam Se Malaysia) over the June 5-6 weekend.

Speaking to Radio Australia from New York, Anwar said PAS has been demonized in the international media as another "Taliban," but said the label is absurd, as PAS shares his reform agenda.

Anwar is best known for inciting mass demonstrations in Kuala Lumpur against then-Prime Minister Mahathir bin Mohamad's imposition of currency controls.

Subsequently, Anwar was prosecuted and convicted on corruption charges, and is prohibited from holding public office until 2008 because of that conviction.

Africa News Digest

This issue of EIR Online includes an article centered on the attack on Ugandan President Yoweri Museveni over "democracy" issues at a June 2 forum in Washington at the Woodrow Wilson International Center for Scholars. The first five of the following news reports cover collateral developments concerning Museveni and Uganda, and conclude with Museveni's surprise announcement June 8 that he would campaign in favor of a vote to return to a multi-party system in Uganda's July referendum.

Uganda's Museveni: Africa Is Ruled by Western Powers

Ugandan President Yoweri Museveni gave a reasonably accurate picture of his own and other African leaders' captivity to the Anglo-American powers, in an otherwise blustering speech to the Pan Africa Movement May 24 in Entebbe, Uganda, reported by *The Monitor* (Kampala), a daily that is independent of the government.

The *Monitor's* article of May 26 is headlined, "Donors Fear Me, Says Museveni." It opens, "The sustained donor attacks on the government are not out of concern over corruption or opening up political space, but are largely prompted by strong fear that Mr. Museveni would expose their ill intentions in Africa, the President has said." The article includes the following quotes from Museveni's speech:

* "I told Mr. Bush and Tony Blair that we [Africans] are the donors; the ones you call donors are partial returners of what they had taken."

* "They fear that that man [Museveni] will wake the people up."

* "The problem with those people is not the third term or fighting corruption or multipartyism, ... the problem is that they want to keep us there without growing."

* "I met the Chinese President and he told me that if some countries were trying to dominate China.... [W]hat about us small ones?... China is a communist country but it has attracted huge investments, so the problem is not these songs [about political parties] people keep singing here."

The Pan Africa Movement was debating whether the fast-tracking of the East Africa Federation would mean the loss of Uganda's sovereignty to Kenya and Tanzania. Museveni responded: "The sovereignty you are talking about is already surrendered to foreigners.... I am not aware of any African country which is sovereign; they are all dependent on Western countries...."

In January, Museveni supported Iran's right to a nuclear power program.

Rwanda Amplifies Diplomatic Incident with Uganda

Rwanda amplified a diplomatic incident involving Ugandan President Museveni's convoy by taking it to the press June 5. The *Monitor* (Kampala) reported on June 6 that "Rwandan security turned Mr. Museveni's travel to Kigali [Rwanda's capital] into a diplomatic nightmare last Thursday [June 2] when they blocked his convoy at the Katuna border post, forcing some of the cars back to Uganda. The others were allowed to proceed with the President to Kigali for the COMESA conference." COMESA is the Common Market for Eastern and Southern Africa.

Ugandan Foreign Minister Sam Kutesa, who called the incident "silly and infantile," says his government attempted to handle the incident through diplomatic channels, and was surprised when a Rwandan minister, Protais Mitali, went to the press with what he called "lies" about it on June 5.

Rwandan Foreign Minister Charles Murigande, in a note of protest to Kampala June 3, claimed that Rwanda had suffered a "blatant violation of its territorial sovereignty" involving "the complicity of Uganda's Ambassador to Rwanda."

Rwanda and Uganda are both U.S. client states, playing major roles in reshaping eastern and central Africa to suit Anglo-American interests. They were also allies in perpetrating the ugliest crimes in Rwanda and DR Congo in the 1990s, as part of that reshaping.

Relations between them have been unfriendly for the past few years, but this incident, in which Museveni's personal security was reduced, appears to mark an escalation.

Rwanda is armed to the teeth.

Rwandan President in New Provocation of Uganda

Rwandan President Paul Kagame never arrived at Entebbe International Airport June 6, for a state visit to confirm working

relations with Ugandan President Yoweri Museveni. He left three Ugandan ministers, two ambassadors, a Presidential security detail, and a motorcade waiting in vain for two hours, according to the Pan African News Agency June 7.

An editorial in the daily *Monitor* June 8 warned that such incidents "should be ended immediately or they will one day lead to regrettable consequences."

The editorial mentions that "the Presidents accuse each other of training armed groups to destabilize each other's governments."

Former Ugandan President, Overthrown by Museveni, To Return

Former Ugandan President Milton Obote, whom Museveni drove from power, is planning to return from exile. A spokesman for Obote's party, the Uganda People's Congress, told the *Monitor* May 27 that "modalities are being worked out" with the government and UN High Commission for Refugees for his return. Obote's son returned to Uganda in about 2001.

The *Monitor* ran what it called a "highly popular" serial biography of Obote in April.

Museveni has threatened that Obote will be prosecuted for atrocities committed by his government, if he returns. At a rally June 4 at Kyambura, Museveni heaped contempt upon him, saying that he was overthrown twice by "mere wind." (Obote was President twice. He was overthrown first by Idi Amin in 1971 in a coup, and then in 1985, by Museveni, after four years of a Museveni-led insurgency.) Museveni boasted that, in contrast, he could not be overthrown by a coup.

Museveni Announces Support for Multi-Party System

Ugandan President Museveni, in a reversal, said June 8 that he would campaign for a return to a multi-party system—the issue is the subject of a July 28 referendum. Washington, as part of its global project for "democracy," has been bearing down on him not to seek a third term and to support a multi-party system, which makes governments more manipulable from afar. Museveni effectively put an end to the multi-party system shortly after coming to power in 1985, saying that it was the cause of Uganda's political upheavals since independence.

There are opposition parties in Uganda, but they are not permitted to mobilize in support of political candidates. Ironically, major opposition parties have threatened to boycott the referendum, claiming the government could achieve a "No" vote and proceed to tighten its hold on power. They also fear that, after a "Yes" vote, as the Constitution is accordingly amended, it could also be amended to permit a third Presidential term.

* * *

Iran To Upgrade Defense, Industrial Potential of Nigeria

Iran is ready to help Nigeria build up its defense and industrial capacities, Defense Minister Rear Admiral Ali Shamkhani said, as Nigerian Defense Minister Rabi'u Kwankaso arrived in Tehran June 6 with a delegation, for talks. Kwankaso will also meet President Mohammad Khatami.

Shamkhani said that "Iran's Defense Ministry is ready to upgrade the defense potential of Nigeria and implement various industrial projects" there, the Ministry announced, noting that Kwankaso welcomed the offer. The two are expected to sign

a memorandum of understanding.

The visit is a followup to President Khatami's visit to Nigeria in January. At that time, Iran agreed to make a \$1.5-million grant for a feasibility study for a transformer manufacturing plant. There were also Iranian agreements in January with Nigeria's Power and Steel Minister and with its National Electric Power Authority.

Vaccines Against Marburg and Ebola Pass Primate Tests

Live vaccines against the deadly Marburg and Ebola viruses were fully effective in primate tests and may be ready for licensing for human use in five or six years. Two scientists in Canada based the vaccines on a live, deactivated virus, using a rare livestock virus that causes vesicular stomatitis. "After being rendered harmless through gene shuffling, the viruses were covered with distinctive proteins that the human body uses to recognize and marshal defenses against either Marburg or Ebola," according to a news story in *Nature* online June 5.

The paper in *Nature Medicine* providing the scientific report was also published online June 5. Its abstract says, "A single intramuscular injection of the EBOV or MARV [Ebola virus, Marburg virus] vaccine elicited completely protective immune responses.... No evidence of EBOV or MARV replication was detected in any of the protected animals after challenge."

"The vaccines seem to induce immunity very rapidly.... They have applicability within the lifetime of [an] outbreak," according to Steven M. Jones, one of the two senior authors, quoted by Xinhua June 7.

The senior authors, Steven M. Jones and Heinz Feldmann, work at the Canadian National Microbiology Lab in Winnipeg. The abstract of their paper in *Nature Medicine* can be accessed by nonsubscribers at www.nature.com using search term 10.1038/nm1258.

The *Nature* news story reports a concern by some that the deactivated cattle virus "will revert to a dangerous form or hop over into cattle," citing Gary Nabel at the U.S. National Institutes of Health in Bethesda, Md., who has successfully tested monkeys with an Ebola vaccine based on dead virus.

This Week in History

June 14 - 20, 1941

President Franklin Roosevelt Looks Back at the Blitzkrieg Against the New Deal

On June 16, 1941, President Roosevelt completed writing the introduction to the 1938 volume of his collected papers and addresses. Much had happened in the interval between 1938 and 1941, and events had proven that Roosevelt's efforts to restore the American economy had been most crucial. Not only had the New Deal brought America back from the precipice of destruction, it had also remoralized the population. Horrific events in Europe and Asia were about to hurl those American citizens into a world war against Fascism on two fronts, and thanks to Roosevelt's efforts they were at least partly prepared to face it.

But in 1938, as is also happening today, there had been forces hell-bent on destroying the policies of the New Deal. The control wielded by the "Economic Royalists" over much of the media ensured an outlet for a steady stream of vituperation. Using their favorite destructive method, the Tory Faction first did everything they could to sabotage Roosevelt's economic

policies, including manipulating currency and investments, and then blamed the President when the beleaguered New Deal policies did not produce instant prosperity.

In writing his introduction to the 1938 volume, Roosevelt pointedly used terms associated with the contemporary Nazi onslaught to describe the actions of the financiers who opposed saving and developing the American economy. With the hindsight of only a few years, FDR opened by writing: "It has frequently been said that eternal vigilance is necessary to preserve our liberties. It is equally true that eternal vigilance is necessary to keep democracies and their governments truly liberal. We in the United States have had first-hand experience with that truism since the end of 1933, when, for the first time, the full effects of our program of recovery and reform began to be felt. For, as soon as the clear action of the new administration in 1933 had started the wheels of industry turning, there came the demand from some sources to stop all of the reforms, and to let things begin again to run on as they had during the previous decade.

"Of course, the people of the United States have always understood that the new administration never intended to be a mere rescue party—organized to save the economic system and turn it back to the small, powerful group which had formerly controlled it through their concentrated economic power. The Government in 1933 was determined not only to save the system, but also to remove from it the abuses, evils, and widespread maladjustments which had brought it to the very brink of destruction. The Government was determined that the system, thus preserved and reformed, should no longer be subject to the control of the handful of men and corporations that had dominated it in the false boom days before 1929.

"To carry out that determination was to resist, from 1933 down to date, all the efforts of mighty forces—day by day, year by year. These forces had tremendous interests at stake—wealth, privilege, economic power, political power. Although few in number, they had the resources which enabled them to make the most noise, and to become the most vociferous in the press, over the radio, through newspaper and outdoor advertising, by floods of telegrams and letters to the Congress, by employment of professional lobbyists, by all the many means of propaganda and public pressure which have been developed in recent years.

"In 1938 the efforts of this minority, consistent in its opposition since 1933, rose to new heights. They had tried stubbornly at the polls in 1936 to stop our program of reform. They had failed. They had tried in 1937 to stop it in the courts, where they had been so successful during 1935 and 1936. Here, too, they failed. Therefore, through the years of 1937 and 1938, their activities to impede progress and bring about a repeal or emasculation of the New Deal measures of reform were redoubled.

"There were several reasons for this particular burst of effort this year. First, the Supreme Court fight, although it had been finally successful in obtaining its objective, had been defeated in the Congress. The enemies of liberal government tried to hail that loss of a single battle as a defeat of the entire progressive program of the administration. A strong "putsch" was organized to try to make it appear as though the representatives of the people in the Congress had, by failing to pass the Supreme Court bill, repudiated the principles and conduct of the New Deal.

"Second, there had come a substantial business recession—commencing in the fall of 1937, and continuing through the first half of 1938. These same minority groups sought at once to take advantage of it by blaming it exclusively on the attitude and legislation of the Government, claiming that the administration was 'strangling business' and 'ruining confidence,' and preventing 'full recovery.'

"The policy of the Federal Government, however, continued to follow the only path of true recovery and the only assurance of preservation of our system of private profit and free enterprise—the continuance and strengthening of social reform and progressive legislation. These recommendations were renewed by me when the Congress reassembled in regular session in January, 1938. I recommended, for example, that new tax legislation was necessary—first, to prevent continued tax evasion by some few individuals and corporations; and, second, to make sure that the principle of ability to pay was not

violated by the tax structure.

"I also called attention to some of the grave social abuses which had grown up in the use of capital—not all capital, but in a limited portion thereof. In other words, I made it clear that what I was attacking was not business in general or all business practices, but certain clearly wrongful business practices which were ruinous to the rest of the economic system of the country. I pointed out that, in addition to tax avoidance, these practices included: excessive capitalization, continued write-ups of investment values, security manipulations, collusive bidding and price rigging, high-pressure salesmanship which creates cycles of overproduction and recessions in production, the use of patent laws for monopolistic purposes, and unfair competition.

"I also called attention to the unfortunate practice of industry to move from one locality or region of the country to another—in an effort to find the cheapest possible wage scales, or in order to intimidate local and state governments from the passage of progressive legislation for the protection of labor.

"Above all, I stressed the grave danger and serious problems which had arisen, and which always arise, out of the growing concentration of economic power, involving, as it did, the control by a relatively few men of other people's money, other people's labor, and other people's lives.

"Many of the great measures debated in 1937 and 1938—farm legislation, reorganization of government, minimum wages and maximum hours, increased public works, monopoly controls, judicial reforms, water-power development, low-cost housing—have, by now, become more or less accepted as part of our economic life. It is a little difficult, therefore, to look back even across the short period to 1938 and remember how bitter and how difficult was the struggle—in the Congress and out of the Congress—which was necessary in order to have some of these laws adopted. The opposition to them—chiefly from the same sources which had opposed the whole program of reform since 1933—developed into 'blitzkrieg' proportions. Misrepresentation as to motives, and falsehoods as to objectives and results, became common practice, especially in the columns of some of the large newspapers."

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