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This Week You Need To Know

APE OR MAN?

The Great Secret of Economics

by Lyndon H. LaRouche, Jr.

June 4, 2006

Some years back, during one among my relatively frequent visits to Florence, I chanced to be seated on the hillside looking down, across the River Arno, into the streets of Florence. I was startled by the realization that I was seated, at least approximately, where Boccaccio had been seated in his account of the writing of his famous *Decameron*. It was clear to me, thus, that the stories told, were reflections on the moral decadence rampant in that Lombard League which had collapsed into a dark-age condition as a result of that ruling partnership of Venetian financier oligarchy with Norman chivalry which had collapsed the population of Europe by about one-third, and the number of European parishes by approximately one-half.

Boccaccio's *Decameron*, like Chaucer's *Canterbury Tales*, like the *Pantagruel and Gargantua* of François Rabelais, and the *Don Quixote* of Miguel Cervantes, and Dante Alighieri's *Commedia* before them, typifies the way in which great tragedians have sometimes treated the subject of the most horrible catastrophes which man's foolish policies have inflicted upon decadent cultures lacking essential features of the moral fitness to survive. When mankind is confronted with the outcome of a great folly of his society in such degrees, as in the U.S.A. and western and central Europe today, it is the poet alone who can use the power of irony to enable the mind to cope with the task of recognizing the great folly of his age, such as the great global tragedy which threatens the continued existence of civilization for the several coming generations now immediately before us all.

All those who would understand the onrushing menace which confronts the world as a whole, immediately, today, must muster from within themselves the same spirit which we might recall from the work of Aeschylus, Socrates, and Plato, who, similarly, faced the onrushing actuality of the self-destruction of the leading culture of their times. Without mustering the same sense of Classical irony, which is more easily recognized in Dante, Boccaccio, Rabelais, and Shakespeare, it were impossible, emotionally, to see clearly the folly of our times, today....

...complete article, PDF

Latest From The Worldwide LaRouche Youth Movement

Lakesha Rogers: 'Out of the Bushes and Into the Future'

Speech to the Texas State Democratic Convention, June 10.

Hello Democrats, my name is Lakesha Rogers, and I am running for your Democratic Party Chair. I am running because this nation is in great danger. We are in danger right now, of losing our great nation, losing our Constitution, and losing the principles which shaped this great Republic! We're losing those principles, because thugs like Dick Cheney, Tom DeLay, have destroyed our country, and the values which we represent. We have to take them back! This is why I've launched a campaign with the slogan, "Out of the Bushes and into the Future." And those of you who know what that means, know that we must fight *now*, to take Texas back, and take this nation back. [applause]

I have fought, in the Democratic Party, and been a Democrat for the last 29 years. I'm 29 years old. I started as a precinct chair for many years, and I've taken on the fight which is necessary to adopt the principles to take the country back to the ideas and the legacy of Franklin Roosevelt; to those ideas that were once shaped by great leaders such as Henry B. Gonzales and Ralph Yarborough, who understood that we have to stand up to the devices of those of Wall Street and the financier interests, those who are now trying to come in and hijack and cripple the Democratic Party. Those like Felix Rohatyn, who want to destroy our party, and individuals who want to make sure that we don't have a nation any longer.

I want to let you know that I have led the fight on the ground to build a groundswell in the Democratic Party, to bring the fight back to the people once again. We cannot be mechanical about this. This party is not about business. It's about bringing in ideas from young people, bringing in ideas to shape the future once again. Bringing in those ideas that are going to *challenge*, challenge the traditions which are necessary to have a real impact in the population, fighting for the forgotten men and women of this nation....

(See InDepth for full package on Lakesha Rogers' nomination as Texas Democratic Chair, along with an interview with the candidate.)

InDepth Coverage

Links to articles from
Executive Intelligence Review,
Vol. 33, No. 25

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Feature:

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The Great Secret Of Economics

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Campaign '06:

TEXAS DEMOCRATIC CONVENTION

The Fight for the Future Of the Democratic Party

by Harley Schlanger

The business-as-usual atmosphere which generally characterizes the race for state chair in the Texas Democratic Party was shattered this year, as an angry insurgency has broken loose in the party. This was reflected in the balloting at the state convention in Fort Worth the weekend of June 10-11, in which a run-off was forced between the 'establishment's' choice for chair, Boyd Richie, and former State Rep. Glen Maxey.

Driving this insurgency were Lakesha Rogers, a member of the LaRouche Youth Movement (LYM), and Charlie Urbina-Jones, a labor lawyer from San Antonio. While Urbina-Jones fought to make the party both more inclusive, and more combative against the faction of so-called 'moderate' Democrats, which has presided over the catastrophic collapse of the party in Texas, it was up to Rogers and the LYM to put the programmatic issues on the table.

- Speeches by LYM Members from the Convention

Interview: Lakesha Rogers

Texas Dems Make Way for LaRouche

Harley Schlanger interviewed LaRouche Youth Movement leader Lakesha Rogers on June 12, immediately after the conclusion of the Texas Democratic convention. Here are excerpts.

Economics:

How Many Shocks To Jolt Congressional Action on Auto?

by Paul Gallagher

LaRouche PAC and LaRouche Youth Movement forces, joined by state legislators and union leaders, met 30 Members of Congress or their staffs on June 8-9, pressing for Lyndon LaRouche's proposed emergency legislation to save closing auto plants and make them the center of a national infrastructure-building program. LaRouche PAC organizers then brought the same mobilization to the national convention of the United Auto Workers (UAW) June 11-15.

- Rohatyn's Looters 'Advise' UAW To Dismantle Industry

On June 12, the Lyndon LaRouche Political Action Committee put out the following press release.

The LaRouche Plan for a High Technology New World Economic Order

Here is Lyndon LaRouche's opening statement to a June 15, 2006, video conference on 'The Role of Oil in the Transition to Nuclear Energy,' organized by the LaRouche Youth Movement and Executive Intelligence Review. His remarks to audiences in Mexico and Argentina (where the meeting was held in an auditorium at the Argentine Congress), were simultaneously translated into Spanish.

Globalization Devastated Machine-Tool Industry in Russia

by Rachel Douglas

'The Russians just bought our entire assembly line at auction,' an auto industry trade unionist told my associate over the phone. And which Russians would that be? It was easy find out: Type 'Sterling Heights, Michigan' in the Cyrillic alphabet, enter it into a Russian-language search engine, and—voilà!

Interview: Steven Larchuk

Fight Under Way for Universal, Non-HMO Insurance in Pennsylvania

Steven B. Larchuk is a Pennsylvania attorney who is chairman of the Pennsylvania HealthCare Solutions Coalition and an expert on proposed legislation for universal health care in Pennsylvania. He was interviewed by Patricia Salisbury by phone, at a June 7 press conference in the state capital of Harrisburg, which was announcing the introduction of the legislation into the Pennsylvania House by State Rep. Linda Bebko-Jones (D).

The Development of American Machine Tools

by Pamela Lowry

Huge mountains of Iron Ore are already discovered; and vast Stores are reserved for future Generations: This Metal, more useful than Gold and Silver, will employ Millions of Hands, not only to form the martial Sword, and peaceful Share, alternately; but an Infinity of Utensils improved in the Exercise of Art, and Handicraft amongst Men...

International:

SCO Summit Revives Model of 'Eurasian Land-Bridge'

by William Jones

On the occasion of its fifth anniversary, the Shanghai Cooperation Organization (SCO) held its annual summit meeting in the city of its founding, Shanghai, China. Lasting three days, June 14-16, the meeting brought together not only the heads of state of the member nations of the SCO, but also the four observer nations, including India, Pakistan, Iran, and Mongolia, representing the overwhelming majority of the world's population.

Cheney Pushing To Escalate Israeli-Palestinian Conflict

by Dean Andromidas

The latest cycle of violence between Israelis and Palestinians threatens to spin out of control and throw the region into a new and more brutal military confrontation, leading to hundreds of casualties on both sides. On top of this, intra-Palestinian fighting threatens to erupt into civil war between the Fatah and Hamas, which could bring on a total collapse of the Palestinian National Authority.

LaRouche: Targetted Killings Are 'Nazi-like'

On June 9, Lyndon LaRouche was asked to give an assessment of the claims by George W. Bush, Tony Blair, and Donald Rumsfeld, that the death of Iraq-based al-Qaeda leader, Musb al-Zarqawi, was a 'victory' in the war in Iraq.

- **Expert Says Israeli Artillery Killed Civilians**

Peruvian Elections: Defeat for Synarchism

by Luis Va'squez Medina

The second round of the Peruvian Presidential elections represented a significant setback for the international Synarchist plan to turn Peru into a narco-republic, and to submerge the entire South American continent into chaos and destabilization.

National:

Now, More Than Ever: Impeach Dick Cheney

by Jeffrey Steinberg

'If Vice President Dick Cheney is not impeached by the U.S. Congress or otherwise forced from office during the immediate weeks ahead, the United States will probably not survive the onrushing global financial explosion that is coming before the end of the year, and before the November 2006 midterm elections.' This is the latest assessment from Democratic Party statesman and leading political economist Lyndon LaRouche.

Webb Victory in Virginia Marks Democratic Phase-Shift

by Nancy Spannaus

The resounding victory of former Reagan Cabinet member and Secretary of the Navy James Webb in the Virginia Senatorial Democratic primary on

June 13, marks a 'phase shift' in Democratic Party orientation, of a very positive nature.

More Advanced Nuclear Plants on World Agenda

by Marsha Freeman

The nuclear industry worldwide is gearing up for the introduction of new nuclear plants. According to industry representatives, new manufacturing facilities are being built to meet the anticipated demand, and some long-unused facilities are being refurbished and reopened.

America's Scientists Need Us!

A Visit to General Atomics

by Jason Ross, LaRouche Youth Movement

Through 21st Century Science and Technology, members of the LaRouche Youth Movement in Los Angeles set up a trip to General Atomics' verdant San Diego location, for a top-level tour of the facilities.

Editorial:

A Turning-Point in History

by Lyndon H. LaRouche, Jr.

June 12, 2006

The onrushing collapse of the post-1971 IMF, represents one of those periods in world history when great, and sudden changes in relations among nations, is the most crucial, and most immediate issue before all peoples and their governments,

U.S. Economic/Financial News

Leaked Ford Document Outlines 'Way Southward' to Mexico

While Ford plans to close plants and eliminate tens of thousands of jobs in the U.S., the automaker is preparing to invest up to \$9.2 billion in Mexico over a six-year period from 2006-2012, including building a new assembly plant. This is according to a confidential, 28-page document turned over to the *Oakland Press* (June 14) by a Ford employee; and obtained by the *Detroit Free Press* (June 15). Part of the document had been prepared for a presentation in early April to officials from the Mexican government.

"The Way Forward—Mexico [offers an] opportunity to further leverage Ford of Mexico cost advantage and location to reduce corporate fixed costs," the confidential document said. "Mexico is ready—[a] fast and reliable solution and an established organization with proven capabilities to build from. We will leverage our global scale like never before and Mexico is a key partner as we're targeting lower fixed costs, better quality and speed to deliver our Way Forward plants," the document stated.

A second source familiar with Ford operations vouched for the authenticity of the documents, which suggest that the automaker's new investment could potentially create as many as 150,000 new jobs in Mexico within the next decade.

The documents indicate that Ford plans to build a new \$1.4-billion, 280,000-square-foot assembly plant; revitalize its assembly plant in Cuautitlan; invest an additional \$1 billion in the Hermosillo Stamping and Assembly plant; and raise its purchases of Mexican-made components by 300%.

It also took note of political sensitivities, saying that announcement of any expansion in Mexico would have to come after the just-concluded UAW convention.

Maryland Takes Steps To Put Toothpaste Back in the Tube

During a special one-day session of the Maryland legislature June 14 that ran late into the night, the General Assembly and Senate voted overwhelmingly to turn back the statute of the state's 1999 electricity deregulation law that would have allowed a 72% increase in rates to take effect on July 1. Until now, the rate has been capped, during which time "competition" was supposed to have developed, to keep rates down.

Instead, natural gas prices to utilities have tripled, coal prices have risen, and under deregulation, there is no state control over either prices or profits. The two Democratically-controlled state houses voted to allow a more gradual increase, starting at 15% this summer. While a temporary palliative, this does not solve the systemic problem.

Republican Gov. Robert Ehrlich is threatening to veto the bill, which veto would be overridden, or to let it become law without his signature, as a way of registering his disapproval.

Investors in Denial, Re: 'Multiple Asset Bubble'

Morgan Stanley's chief economist Stephen Roach, in his weekly commentary June 12, said investors attending their annual conference on the French Riviera cited as the most serious issue, the state of the global liquidity cycle. Yet, two areas still in favor were commodities and emerging markets—"the same risky assets that have the most to lose in a liquidity-withdrawal scenario." The Federal Reserve, by signalling another rise in interest rates, could finally be turning its attention to the "increasingly dangerous excesses of a very powerful liquidity cycle." Combined with recent monetary tightenings by ECB and other central banks, this would reduce "the flow of high-octane fuel that has fed the multiple asset bubble syndrome of the past seven years."

But Roach worries about rebalancing. "There is, indeed, an eerie similarity between today's world and many of the preconditions that brought an earlier era of globalization to a sickening end." Even if the Fed does raise interest rates further, Roach says, "there is always a chance it's too late—that America's imbalances are so advanced, the only way out is the dreaded hard landing."

House Increases Amtrak Funding; High-Speed Rail Mooted

On June 13, the full House of Representatives' floor debate on a bipartisan amendment to increase Amtrak funding for the next fiscal year to \$1.1 billion introduced by Reps. Steven LaTourette (R-Ohio) and James Oberstar (D-Minn) won—with 71 Republicans voting in favor.

Of the six Republicans and four Democrats who rose to support the amendment, two argued for high-speed rail development, subsidized by government, i.e., not private, funding. Rep. Joe Schwarz (R-Mich) rebuked his colleagues for years of neglect to passenger rail development, charging, "the United States [has] the worst in all of the industrialized world." He argued the "degradation of Amtrak" goes on "apace," and this must stop as "we need to have a modern, efficient dependable" rail system subsidized by government as it is worldwide. This, he said, "is the cost of keeping our economy going." Then Rep. Mike Castle (R-Del) insisted "we should be working on a comprehensive strategy to make Amtrak the best high-speed rail system in the world."

Now the Amtrak funding fight goes to the Senate. Last year the Senate and House rejected Bush's "zero" funding level, awarding \$1.3 billion to Amtrak. This year even the Bush Administration Transportation Department Inspector General testified that a minimum of \$1.4 billion is critical to just keep the system running and to upgrade badly deteriorated

infrastructure.

Companies' Stock Buybacks Rise Dramatically

Companies, pushed by cash-strapped hedge funds, are spending record amounts repurchasing their own stock, the *Wall Street Journal* reported June 12. According to Standard & Poors, stock buyback activity by S&P 500 companies in the first quarter of 2006 has jumped 22.1% compared to the level in the first quarter of 2005, and up a whopping 55.2% in the past 12 months. These companies spent \$100.2 billion on stock buybacks—the second-highest level ever—during January-March; in the year ended March 31, they spent a record \$367 billion. Repurchasing stock was done not only to boost companies' earnings per share, thereby covering up poor operating financial results. Hedge funds, hit by falling stock markets, the *Journal* notes, are pushing share buybacks to offset losses on their bets.

Treasury: No Guarantee for Fannie, Freddie Bailouts

Treasury Undersecretary Emil Henry said the markets don't yet understand that the government is not going to bail out Fannie Mae and Freddie Mac, the semi-privatized mortgage lending agencies, which are now *de facto* bankrupt, according to *MarketWatch* June 15.

In a speech to the real estate roundtable, Henry said that Fannie and Freddie's \$2.25 billion guaranteed line of credit with the Treasury is "insignificant and virtually meaningless in the context of outstanding debt obligations of \$766 billion for Fannie Mae and \$749 billion for Freddie Mac; not to mention the additional \$2.6 trillion of mortgage-backed securities they guarantee."

Fannie Mae, created in 1938 under the New Deal, and turned into a publicly held entity in 1968, is the second-largest borrower after the federal government and the second-largest financial institution after Citicorp. Henry's statement is thus a provocation to a housing bubble collapse, the financial equivalent of "bring it on."

Henry hinted that the Treasury would use its debt approval authority to rein in the two institutions, even as legislation is still stalled in Congress. He called the situation "the most significant domestic finance policy issue in the coming months."

U.S. Emergency Medical System in Dangerous Crisis

The nation's emergency medical system is in a dangerous state of crisis, because as a whole, it is "overburdened, underfunded, and badly fragmented," the Institute of Medicine of the National Academies reported June 14. These conclusions are contained in three reports on the *Future of Emergency Care* prepared after a two-year investigation. "As a result, ambulances are turned away from emergency departments once every minute on average, and patients in many areas may wait hours or even days for a hospital bed. Moreover, the system is ill-prepared to handle surges from disasters such as hurricanes, bombings, or disease outbreaks," according to the Academies' press release.

The findings concerning overcrowding of emergency departments ("EDs") and trauma centers note that ED visits increased by 26% between 1993 and 2003, but the number of EDs declined in the same period by 425, while the number of hospital beds declined by 198,000. Further, patients get backed up in the ED because there aren't enough in-patient beds, and are often "boarded" in the ED for 48 hours or more until a bed becomes available.

World Economic News

Alert: Lazard Lizards Found in Privatization Cases

An investigation of a number of cases of privatization and industrial shutdown find a Lazard Lizard involved. The case of Berlin Water, a large minority share of which was sold to the French firm, Vivendi, in 1999, is just an indication: Not only was it the new corporate policy, after that deal, to reduce jobs, but also to carve out all direct links of Berlin Water to mittelstand firms and crafts—along the line of "concentrate on the core branch" (invest little, that is). Altogether, this eliminated at least 6,000 jobs.

Vivendi CEO at that time was Jean-Marie Messier, until 1996 a top official at Banque Lazard in Paris, for several years. He ran in competition for Berlin Water with Enron's Azurix division, which even deployed former U.S. Ambassador Richard Holbrooke to meet with then-Mayor of Berlin, Eberhard Diepgen. But Vivendi finally got the deal—maybe the Lazard Germany branch had a helping hand in that, too. Or, Felix Rohatyn, another Lazard lizard, and U.S. Ambassador to France, at that time. Or, then-U.S. Ambassador to Germany, John Kornblum, today the chairman of Lazard's German branch, who served as a Berlin envoy of the State Department for most of the 1980s.

For that Berlin water deal, Messier ganged up with RWE, the leading German power supplier which actually earned the title "German Enron" at the end of 2005, when its electricity towers and overland power lines collapsed in the Muensterland region. Vivendi and RWE paid 3.5 billion marks (roughly 1.75 billion euros) for the deal.

GM Workers Strike in Portugal; Unrest Growing Across Europe

Although Klaus Franz, chairman of the factory council for all GM plants in Europe, never tires of claiming that the GM crisis in the USA will not spill over, it has: the nominally independent European plants in Europe are faced with a new round of budget-cutting and shutdown plans by the nominally independent GM management in Europe.

The Ellesmere plant in Scotland was the first to learn that 900 jobs would be axed; the 1,200 workers at the Azumbaja plant in Portugal are next on the list. They have begun an unlimited strike and demand solidarity by workers at the other GM plants.

This includes the plant in Zaragoza, Spain, which has been selected to take over the Combo van production that gets axed in Portugal by 2008 or 2009. Zaragoza, already in discussion for shutdown in 2004, may be shut down in 2009, at the latest. This also includes the plants (Bochum, Antwerp, Trollhaettan) that are currently producing components for the Astra street car, which will be replaced in 2008 by a new model which might be built in Poland and other Eastern sites, rather than in the West.

VW Proposal: Layoffs and Wage Cuts

The Volkswagen management June 14 officially presented its "consolidation" plan for cutting the VW workforce in Germany from its present level of 100,000 to 80,000, "in stages." It is said that about 15,000 VW workers have already accepted being laid off, in exchange for compensation of up to 100,000 euros per capita. For the higher categories of workers and employees, the management offers 250,000 euros per capita.

But the management also wants to go move from a 28.8-hour work week, to a 35-hour week— without compensation. This implies a wage cut of 20% for those who stay at VW.

The man who is going to sell that plan to labor, making it "socially compatible," is Horst Neumann, personnel director at VW, a doubtful intellectual who made a career in the metal workers union. Nahles engineered the coup against SPD party

chairman Franz Muentefering, last October, which brought a number of greenie "networkers" into leading party positions.

United States News Digest

House Votes To Continue Iraq War Quagmire

Following an 11-hour debate June 16, the House of Representatives passed HR 861, commending Bush's "War on Terror," an implicit endorsement of the disastrous Bush-Cheney Iraq War quagmire. The vote was 256 to 153, with 42 Democrats voting in favor and three Republicans—John Duncan of Tennessee, Jim Leach of Iowa, and Ron Paul of Texas—voting against.

Democrats, who were not permitted by the Majority to introduce *any* amendments, largely responded to the Republican ploy by noting that it might have been written by Karl Rove himself.

Most Democrats endorsed Rep. John Murtha's (D-Pa), resolution calling for the redeployment of U.S. troops out of Iraq, as an alternative to the GOP measure. "There's only one battle plan," said Rep. Jim McDermott (D-Wash), "the Murtha resolution, and that's what we should be debating." Democrats also repeatedly quoted a number of the retired generals who have called for Defense Secretary Rumsfeld's resignation.

The Republicans cast the issue as if there were only two choices: "stay the course" or "cut and run." The only Republican who disagreed with this line was Rep. Jim Leach (R-Iowa), who warned that the "neo-con desire for a permanent presence in a divided Muslim country is foolhardy." He further warned that continued fighting in Iraq could actually increase the likelihood of further attacks outside the region. Instead of "staying the course," he said that we should "avoid overstaying."

Pentagon Backing Off New Interrogation Rules

Under pressure from Congress, the State Department, and senior military officers, the Pentagon has decided to give up the idea of including a classified set of interrogation techniques in the new Army Field Manual on Interrogations. according to press accounts June 14. The Pentagon is also reportedly dropping the idea of having different techniques for "unlawful combatants" and those classified as POWs. Both of these exceptions were insisted on by top aides to Vice President Dick Cheney (primarily, David Addington, now Cheney's chief of staff). Last month, three senior Republican Senators, John Warner, John McCain, and Lindsey Graham, met with Deputy Secretary of Defense Gordon England and expressed their strong opposition to the draft Field Manual. It's been previously reported that Undersecretary of Defense Stephen Cambone was in charge of the rewrite.

Last week, Rep. Marty Meehan (D-Mass), a senior member of the House Armed Services Committee, sent a letter to Secretary of State Condoleezza Rice, warning of the negative effects on the U.S., if the manual should not reflect the Geneva Conventions requirement for humane treatment of detainees. "By perpetrating human rights abuses in the name of the Global War on Terror we are in fact fueling a worldwide wave of hatred and violence against the United States," said Meehan. "To regain credibility in the world we need to act in the same manner that we speak."

After Intense Plea Bargaining, Rove Will Not Be Indicted

The man President Bush calls his "brain," and others called his Svengali, Karl Rove, learned on June 12 that he would not be indicted by Special Counsel Patrick Fitzgerald. According to a statement read by Rove's attorney Robert Luskin, Fitzgerald advised Rove that "he does not anticipate seeking charges against" the White House advisor.

"In deference to the pending case, we will not make any further public statements about the subject matter of the investigation," said Luskin. "We believe that the Special Counsel's decision should put an end to the baseless speculation about Mr. Rove's conduct."

Rove has been involved in *intense* plea bargaining, and cooperation discussions with Fitzgerald's office, for months, especially after the report came out in mid-May that the indictment was certain.

Guantanamo Commander Calls Detainee Suicides Acts of War

"I believe this was not an act of desperation, but an act of asymmetrical warfare waged against us," taken by men who "have no regard for life, neither ours nor their own," said Guantanamo Commander Navy Rear Admiral Harry Harris. His Nazi-like dismissal of human life was echoed across the Administration. Pentagon spokesman Navy Cmdr. J.D. Gordon said, "These are dangerous enemy combatants at war with the U.S. and its coalition partners. While we regret the loss of life, clearly these individuals don't value life, including their own." Deputy Assistant Secretary of State for Public Diplomacy Colleen Graffy told BBC that the suicides were "a good PR move."

The *New York Times* responded, in its lead editorial June 12, that Admiral Harris's remarks "reveal a profound disassociation from humanity. They say more about why Guantanamo Bay should be closed than any United Nations report ever could."

Lyndon LaRouche, commenting that the Nazi *kameraden* would understand Harris et al., questioned whether the three prisoners had committed suicide, a point raised also by a lawyer for other Yemeni prisoners held in the camp.

State Department spokesman Sean McCormack deemed it politic to put distance between the Bush Administration and what numerous of its officials had clearly stated. McCormack told the press briefing that the Bush Administration's view is that the deaths were not a public relations stunt, and a senior official who spoke to reporters said Graffy's choice of words was rather unfortunate. That unnamed official, however, said he did not think Graffy would face disciplinary action for her remarks.

On June 14, three UN human rights experts called for the closure of the Guantanamo prison.

FEMA Is *Not* Ready for This Hurricane Season

Despite the claims to the contrary by Homeland Security Secretary Michael Chertoff, as Tropical Storm Alberto (subject of a "hurricane warning" as its winds jumped from 50 mph to 70 mph within three hours on June 12) approached Florida, his late-May PR campaign to say the DHS and FEMA are better prepared this year is being tested by nature and questioned by state and Federal officials.

On June 8, a GAO report showed that the Cheney-led reorganization of Homeland Security which gutted FEMA and created DHS, set up a bureaucracy which obstructed aid and relief efforts during Hurricanes Katrina and Rita. The GAO found that DHS's National Response Plan—the new master plan for dealing with disasters—so bureaucratized relationships, that the Red Cross and FEMA were feuding during Katrina rather than "coordinating mass care services." And that "as of May 24, 2006 [they] had not reached an agreement" on how to proceed for this year's season.

On May 24, the same day Chertoff launched his campaign, Mississippi's Director of Emergency Management Robert Latham testified in Congress, "We are still working on debris removal in our four most devastated counties," which at least 1 million cubic yards of debris yet to be moved. He also noted "over 100,000 citizens are living in 38,000 travel trailers and

temporary housing"—hardly a picture of readiness.

Chertoff, who had bragged he'd fill FEMA's vacant positions—one-fifth of the agency's positions are unfilled—by June 1, on June 7, had to admit he'd fallen short of doing so.

Draconian New Medicaid Practices Go into Effect

Starting on July 1, West Virginia will require that Medicaid patients sign a "member agreement" promising, among other things, not to overuse hospital emergency rooms, facing the threat of a cut in benefits if they refuse to sign or follow the rules, the *Washington Post* reported June 12. Kentucky is dividing its Medicaid patients into four categories, depending on their health and age, with different benefits for each group. Florida will privatize parts of its Medicaid system in two counties in a pilot project expected to be enforced eventually for the entire state. The health of Medicaid recipients in Jacksonville and Broward Counties will be rated by Florida health officials and the two communities will pay for only as much care as officials predict they should need.

Ibero-American News Digest

LaRouche Keynotes Ibero-American Webcast Forum

Organized by the LaRouche Youth Movement (LYM) and *EIR*, a June 15 webcast forum featuring Lyndon LaRouche by videoteleconference, and entitled "Oil's Role in the Transition to an Economy Based on Nuclear Energy," was held simultaneously in Mexico City and Buenos Aires, Argentina. The event brought together youth, trade unionists, students, energy experts, and Congressional advisers from both nations. In his keynote address, LaRouche outlined the global financial collapse, the urgent necessity of changing U.S. government policy, and how the sovereign nations of the Americas can contribute in bringing about that change.

Between 100 and 120 people in Mexico City, and 22 in Buenos Aires attended the forums in person, and another 22 contacts gathered at the *EIR* office in Lima, Peru to listen to the webcast. After LaRouche's keynote, *EIR*'s Paul Gallagher spoke on the crisis in the U.S. auto sector, followed by Argentine energy expert Ricardo De Dicco, and LYM leaders Emiliano Andino in Buenos Aires, and Jonas Velasco in Mexico City. Both LYM speeches had a heavy organizing focus, and there was a lively question-and-answer discussion throughout, including a number of questions that came in by e-mail.

Push for a 'Nuclear Mexico' Breaks into the Media

On the eve of the *EIR*/LYM June 15 conference in Buenos Aires and Mexico City (see above), a spate of articles on nuclear energy as a viable option for Mexico broke into the media, including an interview that the national radio network Radio Formula did with LYM leader Ingrid Torres on the day of the conference, headlined "LaRouche and His Presence in Mexico."

"Nuclear Energy, Source of 80% of World Electricity by 2020," was the headline on an article in the Mexican daily *La Jornada*, covering a pro-nuclear presentation given June 5, by Mexican physicist Marcos Moshinsky, at the Colegio Nacional. Moshinsky argued that nuclear is the way of the future—solar energy is great for humans, but it's a lousy energy source. And, the initial investment in a nuclear plant is high, but over the long run, it's far cheaper than coal or oil. The worried response by a spokesman for the "renewable energy" crowd, who recognized that his "colleagues" are pushing nuclear energy, gave *La Jornada* a reason to cover Moshinsky's speech again three days later.

Simultaneously, "Nuclear Mexico," is the bold headline on the cover of the June edition of the business monthly *Poder y*

Negocios, distributed continentally. Pictured is the president of Alstom Mexico (the subsidiary of the French nuclear company), who, the cover highlights, "says she's prepared to supply the country with atomic energy, and the nuclear debate is born again." Alstom Mexico proposes to supply Mexico's nuclear needs from the city of Queretaro, because nuclear energy is cheap and clean, and it will free Mexico from its current dependence on natural gas imported from Texas. Electricity rates in Mexico haven't risen in 30 years, the head of Alstom Mexico says, because 80% of its energy is nuclear.

Privatized Bolivian Mining Companies 'Refounded'

During a speech to the Federation of Bolivian Mine Workers June 11, President Evo Morales announced that the Bolivian Mining Corporation, COMIBOL, and the National Smelting Company (ENAF) would be "refounded"—placed under state control—as part of a drive to reassert sovereignty over the nation's natural resources. Morales added that privately held mines which have not seen any investment would revert to government control, for the benefit of "the State and the Bolivian people." Thus the Bolivian President put private companies—both domestic and international—on notice that the free ride is over.

"We have the obligation to recover mines the government has licensed where there hasn't yet been one peso invested," he underscored, starting with the takeover of a formerly state-owned tin-smelting plant currently run by the Swiss firm Glencore International. Morales promised the mine workers that this reassertion of state control, a dramatic reversal of the savage privatization process conducted in the 1990s by free-marketeer former President Gonzalo Sanchez de Lozada, would be carried out in concert with the miners' organizations. He added, "we must strengthen ourselves, to be able to identify the enemy, both foreign and domestic."

Foreign multinationals are railing against newly enacted legislation that raises state taxes on their profits. Currently, private mining corporations pay a miniscule 1% tax to the state!

Related to these developments is the announcement that Argentina's state oil firm Enarsa will join in formal association with Bolivia's state oil firm YPF on projects for industrialization of hydrocarbons inside Bolivia. Among projects being discussed is the building of a plant for gas separation and liquification. Morales will meet with Argentine President Nestor Kirchner on June 29 in Buenos Aires to sign a long-term agreement for sale of Bolivian natural gas to Argentina, and development of these infrastructure projects. Argentine Planning Minister Julio De Vido met with Bolivian Vice President Alvaro Garcia Linera in La Paz on June 13 to firm up details of the agreement, which Morales sees as a top priority.

Kirchner: 'The Argentine People Come First'

In two early-June speeches, Argentine President Nestor Kirchner elaborated on his call to create a "pluralist coalition" of political forces, announced during his May 25 Independence Day speech in the Plaza de Mayo. Speaking in Chubut June 2, he emphatically stated: "We want to ally with those who want the new Argentina ... not with that old leadership that doesn't love the *Patria Grande* ... not those who don't love Latin America.... Let it be clear. When we speak of pluralism, we're not talking about embracing those who looted and devastated us, or the criminals who sunk the country."

"What is beautiful," he added, "is to try to build a nation for everyone; what is beautiful is that Argentines feel integrated into the nation ... and feel that Argentina belongs to us all; when Argentina grows, we all grow."

"The Argentine people come first," he stated June 6 in the province of Entre Rios. How is it possible for critics to assert that raising utility rates is not inflationary, but raising wages is? There must be higher wages, so that Argentines can recover their purchasing power. There must be infrastructure, to connect all parts of the country "that had lost their connection." There must be public services whose first priority is to meet people's needs. There must be a Public Health service, to which all Argentines can have access. The era of "permanent adjustment," identified with the International Monetary Fund,

and policies dictated by "economists from those schools financed from abroad" is over, Kirchner said. It is time to rise above partisan issues, and for all to unite "behind one flag, and a united nation," to reverse the looting that Argentina suffered "for years."

Echoing Lyndon LaRouche's idea of planning for a generation ahead, Kirchner stated, "All of us [Argentines] are necessary, and we must build a cycle of virtuous growth for this nation which lasts between 15 and 20 years, so that Argentina may move forward with all of its vital forces."

Western European News Digest

Naples Magazine Covers EIR's World Cup Terror Warning

The "leftist" magazine *La Voce della Campania*, connected to sections of the "anti-globalization" movement, ran a cover story last week entitled "World soccer championship: a bombshell." The story is composed of several articles, one of which extensively quotes statements of Lyndon LaRouche published in *EIR's* Strategic Alert concerning threats to the World Cup soccer championship emanating from the Synarchist circles that control Dick Cheney. The newspaper also included excerpts from a phone interview with an *EIR* spokesman. It then adds its own reports on the Naples hooligans and on the ongoing investigation into Italy's soccer scandal.

Zarqawi Killing Is Potential World Cup Provocation

The killing of al-Qaeda operative Abu Musab al-Zarqawi in Iraq is seen as potentially provoking a major terror attack during the World Cup Soccer championships now taking place in Germany. A senior German official directly involved in security operations during the June 9-July 9 championships told *EIR* that after the announcement of al-Zarqawi's death, all the security chiefs met to discuss the potential for a major retaliatory attack against the games. The timing of the announcement, only 48 hours before the games opened, has also raised questions. (See last week's Southwest Asia Digest for Lyndon LaRouche's comments on the Zarqawi murder.)

German Jews Mobilized in Potential World Cup Provocation

A 1,000-person demonstration against Iranian President Mahmoud Ahmadinejad took place in Nuremberg June 11, where the Iranian team played Mexico during the World Cup Soccer games. Senior politicians, Jewish groups, and Germany's most famous Jewish TV personality, Michel Friedman, attended the rally—a fertile set-up for confrontation with neo-Nazis, and possible set-up for an Iran attack.

Politicians attending included Bavaria's right-wing Interior Minister Gunter Beckstein and Green Party co-leader Claudia Roth. Busloads of Jews were planning to come from Berlin, Munich, and other cities. The focus of protest was the German government's decision to let Iranian President Ahmadinejad's deputy Mohammed Alibadi into the country, after Ahmadinejad's repeated anti-Israel statements.

Proposed Italian Budget Cuts Meet Resistance

Tommaso Padoa Schioppa, the Synarchist banker who runs the Finance Ministry in Italy's Prodi government, has announced a "corrective" measure to cut the budget, to be presented at the EU Finance Ministers meeting in Brussels July 8. Schioppa has motivated his announcement by dramatizing the budget deficit, which, instead of a planned 4.1%, is in reality at 4.6%. The size of the cuts is not known, nor where the axe will hit. The new central banker Mario "Mr. Britannia" Draghi has suggested it should amount to 28 billion euros, in order to substantially reduce the deficit.

However, Schioppa is meeting resistance in the government, notably from quarters associated with a proposal for a New Bretton Woods reform of the world monetary system, with the implicit emphasis on growth, as opposed to budget cuts. Alfonso Gianni, Undersecretary of State to the Development Ministry (responsible for industry and Mezzogiorno policies), was the most outspoken. "I disagree," Gianni said at his party meeting: "Padoa Schioppa's measures, as he announced them, seem to be the opposite of the [election] program" of Prodi's coalition. "It would be better to stabilize the debt and concentrate efforts towards an increase of wages and development measures." Gianni threatened to resign, "if you insist that Padoa Schioppa is right."

Blair Is Least Popular Western European Leader

According to the Ipsos MORI survey of Great Britain, Spain, the United States, France, and Germany, of the six major Western governments, that of British Prime Minister Tony Blair is the least popular. Blair came in well behind President George W. Bush, French President Jacques Chirac, and German Chancellor Angela Merkel. Support for the Labour government is on a par with the ousted Italian Berlusconi government. Only 25% of those polled believe the Blair government could deal with the integration of immigrants, while only 31% believe the government could successfully crack down on violence and crime. Blair also had the lowest confidence ratings of the six leaders concerning his ability to deal with terrorism.

Montenegro Independence Proceeding Smoothly

Since Montenegro's declaration of independence from Serbia in early June, the transition and separation of powers between the two states has followed an orderly course. This development was considered in the region as an almost foregone conclusion, which would bury the last remnant of the former union of the six Yugoslav republics (Croatia, Slovenia, Bosnia-Herzegovina, Serbia, Montenegro, and Macedonia). Legal preparations for the separation, and the necessary unwinding steps of the state structures had been prepared in detail beforehand, as it was seen as a very real possibility on both sides.

But, Serbia now faces a very difficult economic situation, with the prospect of a Kosovo breakaway before the year is over. This question is worrying observers of the region, where nobody really would welcome independence, out of fear of domino effects elsewhere. And there is potential international tension, with Russia being opposed to Kosovo's full independence.

Hungary's New Economic Program Labelled as 'Shock Therapy'

Hungarian Prime Minister Ferenc Gyurcsany presented the new coalition government's economic program this week, which follows the recommendation by the European Union bureaucrats in Brussels and others, to "qualify" Hungary to enter the eurozone in 2010. Gyurcsany, addressing a meeting of trade unionists and entrepreneurs, said that the Hungarian budget deficit, would be 8%, not 6.1% as forecast, corroborating a recent IMF study predicting a budget deficit of 8% of GDP.

Even with proposed layoffs of 100,000 public workers, over \$2 billion in budget cuts over the next two years, and promises of future tax hikes, Standard & Poors chose to downgrade Hungary's currency one notch, a move that sent the currency into temporary free-fall.

Del Ponte Launches New Offensive vs. Serbia War Criminals

Carla del Ponte, the chief UN War Crimes Prosecutor, is on a new rampage against Serbia and Russia, attacking both for their lack of cooperation in apprehending accused war criminals. During her biannual report to the UN Security Council,

she announced her intention to ask the Security Council for "means and authorizations," to take charge of war criminals herself. While it is not known whether she now wants to go hunting for them herself (maybe with Dick Cheney), she obviously aims at further sovereignty-breaching authorizations for the infamous UN Tribunal.

Russia had just delivered indicted war criminal Dragan Zelenovic to Bosnia, where he will be judged for mistreatment and rape of Muslim women during the war of 1992-95. Del Ponte, in particular, accused Russia of not delivering the last police chief of former Serbian dictator Slobodan Milosevic, Vlastimir Djordjevic, who is indicted for crimes in Kosovo and supposedly has been in Russia since 2001.

Del Ponte attacked Serbia for its failure to deliver former Bosnian Serb army chief Ratko Mladic, three other indictees, and former Bosnian Serb political leader Radovan Karadzic. Besides attacking structures in Serbia that want to prevent the delivery of these persons, she also criticized NATO and the EU-Peace Forces in Bosnia (EuFor) for not actively pursuing the arrest of Karadzic. For her, this is the joint responsibility of Serbia, Republika Srpska (in Bosnia), NATO, and Eufor.

U.S. Secretary of State Condoleezza Rice also zeroed in, by attacking Serbia for not doing its utmost to deliver Mladic; this was followed by a cut of \$7 million of the \$75 million in U.S. aid to Serbia.

Whatever is behind the non-delivery of accused and indicted war criminals Mladic and Karadzic, who definitely have to be held accountable in a proper way for their deeds, it is certainly not a decision by rather low-level Serbian circles.

Kosovo Status Discussions Enter Sensitive Phase

After the sixth round of Kosovo status talks was over at the end of May, no new date was set for further negotiations. They are not expected to begin before chief UN envoy Martti Ahtisaari has given his report to the UN Security Council on July 10. The last round of talks focussed on economic issues, with Serbia attacking the privatization policy during the last six years, which is even to be sped up and finished by the end of the year, i.e., without having first settled the final status of this UN protectorate within the borders of Serbia!

In the next round, the status question itself will be put on the table. Earlier negotiations achieved certain compromises on the question of Serbian churches and monasteries in Kosovo. Over the course of the centuries, according to Serbian tradition, Kosovo was part of Serbian territory, especially when there was no territorially defined Serbian state under the empires.

The contact group consists of the U.S., Russia, UK, Germany, France, and Italy, and has handed demands to both sides for implementation. The U.S. position as of now is still perceived to be for full independence, while Russia has warned about the potential political domino effect, especially within Russia itself.

Russia and the CIS News Digest

Russia Will Build Floating Nuclear Plants

Academician Yevgeni Velikhov, head of Russia's Kurchatov nuclear research center, announced June 12 that the Russian Atomic Energy Agency was about to sign a contract with the Sevmash company, for construction of a prototype floating nuclear plant. The plant, with a small reactor, can be transferred to any distant site by water routes. Its production will proceed like any vessel, in a shipyard owned by Sevmash in the Arkhangelsk Region.

Velikhov emphasized that this could bring electric power to energy-poor regions of the north. Nuclear industry official Sergei Obozov elaborated to RIA Novosti on June 14, that floating power stations are being planned for Kamchatka, Chukotka, Yakutia, and the Krasnoyarsk region, which are all in Siberia or on the Pacific Ocean.

Velikhov also voiced optimism that the first thermonuclear-fusion power plant can be built at the end of the 2020s. The technology applied will be the design by Velikhov, for the International Thermonuclear Experimental Reactor (ITER) 500MW project in Cadarache, whose construction will begin in 2007.

Russian Leaders Address U.S. Economic Weakness, Possible Monetary Changes

The 10th Annual St. Petersburg World Economic Forum took place the week of June 12. Originally set up to be a "Russian Davos," the event this year was addressed by a good portion of the top Russian leadership: President Vladimir Putin, Deputy Premiers Dmitri Medvedev, Sergei Ivanov, and Alexander Zhukov, among others.

Featured June 14 in the government daily *Rossiyskaya Gazeta* was the speech by First Deputy Premier Medvedev, whom Putin last year put in charge of his National Projects (hard and soft infrastructure areas, and agriculture, within Russia). Medvedev took this opportunity to address broader questions, specifically some ideas about near-term changes in the world monetary system. He called for "a safer financial system, in which there is no dominant currency." According to *Rossiyskaya Gazeta's* summary, Medvedev said it could not just be a question of shifting to the euro as a reserve currency, but there should be "several reserve currencies," from countries with high growth rates, and the ruble could become one of them.

Opposition economists like Sergei Glazyev have long advocated shifting oil and other trade transactions to ruble-denominated exchange, and President Putin has made comments in the direction of broader use of the ruble. What was evidently new in Medvedev's presentation, was his presenting the need for far-reaching monetary changes, as being necessitated by the economic crisis, including in the USA: "The current state of the economy in the United States, the issuer of the world's sole reserve currency, raises concerns."

NATO Maneuvers Wrecked by Crimea Protests

The last of 200 U.S. Marine Reservists, who had come to the Crimean Peninsula in Ukraine to take part in NATO's Sea Breeze-2006 maneuvers in the Black Sea, left the Port of Feodosiya on June 12, and were airlifted to Germany. Mass protests, sustained since May 27, had made it impossible to unload the materiel they brought. A U.S. Embassy spokesman in Kiev told wire services that the Sea Breeze maneuvers were essentially blocked from taking place. The website of Natalia Vitrenko's Progressive Socialist Party of Ukraine, which co-initiated the anti-NATO picketing, celebrated the departure as a victory against "NATO occupiers."

Orange Revolution Redux Flops

On June 12, Ukrainian President Victor Yushchenko's Our Ukraine movement announced that attempts to put together a government in alliance with the Bloc of Yulia Tymoshenko and the Socialist Party, have definitively failed. Now—nearly three months after the elections—Yushchenko is calling for talks on a broader coalition.

Southwest Asia News Digest

Neo-Cons Ride Again—Against Iran

"At the Pentagon, the new Iranian directorate has been set up inside its policy shop, which previously housed the Office of Special Plans," reported Laura Rozen of the *Los Angeles Times* on May 19. The OSP, center of the neo-conservatives' rogue intelligence apparatus in the Pentagon, is still under investigation by the Senate Select Committee on Intelligence.

According to the *Times*, "Pentagon spokesman Lt. Col. Barry Venable declined to name the acting director of the new Iran office and would say only that the appointee was a 'career civil servant.' Among those staffing or advising the Iranian directorate are three veterans of the Office of Special Plans: Abram N. Shulsky, its former director; John Trigilio, a Defense Intelligence Agency analyst; and Ladan Archin, an Iran specialist." Shulsky was identified in *EIR's* April 2003 groundbreaking feature, "Children of Satan: The Ignoble Liars of Bush's No-Win Iraq War," as one of the cabal of followers of Leo Strauss, along with Paul Wolfowitz, Richard Perle, and Douglas Feith.

The OSP reported directly to the Vice President's office, and there is good reason to believe that the same is true of this new Iran "directorate." While Secretary of State Condoleezza Rice has succeeded in tilting administration policy towards opening direct U.S. talks with Iran, Cheney remains committed to a military strike that will further his aims for a Clash of Civilizations "perpetual war" against Islam.

Nothing New About Bush's 'New' Iraq Strategy

Intelligence and military veterans with long experience in the Iraq, view George W. Bush's surprise trip to Baghdad last week, as a meaningless public relations stunt.

White House spin doctors had made the week of June 12-16 into "Iraq week," and rolled out a schedule that included: an all-day top-level meeting at Camp David on June 12 to plan a "new strategy" for victory; a super-secret surprise trip by Bush to Baghdad on June 13; a Republican Party fundraiser in New Hampshire addressed by Karl Rove where he denounced Democrats Rep. John Murtha, and Sen. John Kerry—just hours after his lawyer announced that Rove would not be indicted by Special Counsel Patrick Fitzgerald; and a Congressional resolution that declares Iraq to be essential in the war on terrorism, to be debated by the full House on June 15 and voted on (see USA Digest for more on the House debate and vote).

Outside of the "Amen chorus" of Dick Cheney supporters, the response to the White House propaganda focus on Iraq has been to warn that it is a replica of the May 1, 2003 "Mission Accomplished" appearance by Bush, which has been followed by a tragic three years of high U.S. casualties, now topping 2,500, and civil war in Iraq.

A high-level retired diplomat reported that James Baker III and Lee Hamilton, who head the Iraq Study Group, have been told bluntly by intelligence professionals that "stability" in Iraq, and "regime change" or threats against Iran are completely incompatible—the administration has to choose what it will be, and it cannot be both. Washington's threats and war plans against Iran, have provoked unprecedented Shiite violence in Iraq that is now out of control.

A former military officer with long experience in the Persian Gulf, dismissed Bush's trip there supporting the al-Maliki government as sheer public relations, which has no effect at all, on helping the new Iraqi government gain credibility and security.

On June 13, two Democratic Senators—Joe Biden (Del) and Jack Reed (RI)—who were called in as part of a bipartisan group to receive a classified briefing on Iraq from Secretary of State Condoleezza Rice and Defense Secretary Donald Rumsfeld—said that they had heard nothing substantially new. Biden said that if Bush continues to call the killing of Zarqawi and the formation of a new Iraqi government a "strategy," then he is "sadly mistaken."

Lebanese Army Arrests Israeli Mossad Terror Cell

On June 13, spokesmen for the Lebanese Army announced that it had dismantled a Mossad-directed network used to carry out attacks against Hezbollah and Palestinian leaders. The statement, according to Lebanonwire, said, "The army arrested a terrorist cell working for Israel's Mossad, and its members admitted responsibility for the May 26 attack that killed Mahmud al-Majzub and his brother," and also "admitted taking part in the assassination of Hezbollah official Ali Saleh in 2003 and Ali Hassan Dib in 1999, as well as the killing of Jihad Jibril in 2002." The killing of al-Majzub, a leader of a Palestinian faction, Islamic Jihad, in the southern city of Sidon sparked cross-border air strikes and rocket attacks in late May.

These arrests are especially notable, since the February 2005 assassination of former Lebanese Prime Minister Rafik Hariri and other assassinations in 2005 have been blamed on Syrian- and Iranian-based organizations in reports to the UN and the U.S. Congress.

Israel occupied Southern Lebanon since its invasion in 1978 until 2000, and had a notorious record of assassinations of Palestinian forces.

China, Russia Refuse To Join Sanction Threats vs. Iran

At the IAEA talks at Vienna June 13, China and Russia refused to join with other the big powers—the U.S., Britain, France, and Germany—in threatening sanctions over Iran's nuclear program. the *Daily Times* reported June 14. China and Russia—both major trading partners of Iran—had joined the other four powers on June 1 in urging Iran to halt uranium enrichment and join talks. Following his telephone conversation with the U.S. Secretary of State Condoleezza Rice, Chinese Foreign Minister Li Zhaoxing, issued a statement saying: "China will continue to play a constructive role to help peacefully solve the Iran nuclear issue through negotiations."

Meanwhile, Iranian Foreign Minister Manouchehr Muttaki, upon his arrival in Madrid on June 14, said the six-party talks took "a step forward to present this package of incentives."

The United States' efforts to present a united front in the six-party talks with Iran received another setback when Non-Aligned Movement member-nations prepared a statement reaffirming Tehran's right to enrich uranium.

Diplomats claimed that Washington was fighting hard to prevent non-aligned states on the IAEA board from issuing such a statement, as the United States wants to maintain pressure on Iran.

Italy Begins Withdrawing Troops from Iraq

On June 14 Italy began its gradual withdrawal of troops from Iraq. By the end of June, there should be no more than 1,600 Italian soldiers stationed in Iraq, half the 3,200 stationed in Nasiriyah in southern Iraq, Following the U.S.-led invasion in March of 2003. Italian Prime Minister Romano Prodi, who entered office less than three weeks ago, promised that all Italian troops would be withdrawn by Spring 2007, according to Italian state television.

The Italian withdrawal represents a further weakening of the so-called "Coalition of the Willing." Spain withdrew its 1,300 troops in 2004, and the Netherlands, its 1,300 soldiers a year later. Ukraine also withdrew its 1,650 troops; Nicaragua, the Philippines, and Honduras have pulled out their small contingents as well.

Asia News Digest

China To Build Bangladesh Naval Base

Bangladesh is negotiating with China and South Korea to develop its military and civilian facilities at the Chittagong port as part of its move to strengthen its navy for high-seas patrols, and to protect its economic interests, *Newsinsight* reported from Dhaka June 13. Chittagong is the only major port Bangladesh has, and it is located in the Bay of Bengal facing the Andaman Sea.

Reports indicate that while the civilian contract may go to South Korea, China will upgrade and build the military side of Chittagong under a grant in aid program.

Indian authorities note this development with a certain amount of uneasiness. China has already developed capabilities less than 100 miles east of Chittagong along the Myanmar coast. India has just recently completed building a very large naval base in the Andaman Islands not far from the Chittagong port.

UK Fears Record Afghan Heroin Output This Year

Despite much-vaunted talks of using the NATO troops to eradicate large tracts of poppy fields, in reality, British officials are bracing themselves for the results of an annual UN poppy survey due later this Summer, according to the *Guardian Unlimited* June 13. Early indications show an increase in the southern Afghan province of Helmand's 1999 record of 45,000 hectares, and a near-doubling of last year's crop. "It is going to be massive," said one British drug official. "My guess is it is going to be the biggest ever." UN, American, and Afghan officials agreed.

Last year, poppy cultivation declined by 21%. Although President Hamid Karzai took credit for the drop, some analysts point out the massive drug production in 2004 created the slump. In 2001, Helmand province had poppy cultivation of 8,000 hectares when Afghanistan was under the Taliban rule. Authorities point out that the slashing of poppy cultivation during the Taliban rule was accomplished by the Taliban militia threatening to shoot farmers.

Britain is particularly unnerved by the massive growth in poppy cultivation in Afghanistan. A large chunk of Afghan heroin ends up in Britain, and the Blair government has been promising the Parliament since 2002 that they are working with the Americans to bring down drug production there.

Indian PM Worried Over Urban-Rural Divide

Having pursued a policy of economic reforms, liberalization, and minimum of infrastructural development, Indian Prime Minister Manmohan Singh has expressed concern over the growing urban-rural divide in India, *IndiaDaily* reported June 16. It was not that Manmohan Singh was not aware of this, but he dismissed it easily because it did not have the rubber stamp of "his economists."

Now, his most trusted economist and Deputy Chairman, Planning Commission, Montek Singh Ahluwalia, has sent a recommendation paper for the upcoming 11th Five-Year Plan that stresses that "there is a point beyond which the urban sector cannot grow without being complemented by the rural sector," hence the urgency to launch an aggressive economic campaign targetting the rural poor.

The paper pointed out that the plethora of rural programs launched by the government were not doing the magic of

transforming life of the poor; instead it is becoming worse and worse.

Archives Show Kissinger Role in Cambodian Genocide

In papers released this year through the National Security Archive, former Secretary of State Henry Kissinger expresses full American support for the Cambodian Khmer Rouge in November 1975, nine months after the Khmer Rouge takeover of Cambodia and their forced expulsion of the entire population of Phnom Penh to forced labor camps in the countryside.

As *EIR* has documented, Kissinger had virtually created the Khmer Rouge in the first place, by deploying the greatest mass bombardment per square mile in history over Cambodia between 1970-1975, driving the entire population either into the capital of Phnom Penh, or into the resistance dominated by the Khmer Rouge, a gang of anti-technology killers whose leaders were trained at the Sorbonne in Paris, who took over the decimated country in January 1975.

Kissinger told Thai Foreign Minister Chatchai Chunawan, on Nov. 26, 1975, that he should inform the neighboring Khmer Rouge leaders, whose "communist" ideology had been used by Kissinger to justify the carpet bombing of Cambodia, that "we bear no hostility towards them. We would like them to be independent as a counterweight to North Vietnam.... We are aware that the biggest threat in Southeast Asia at the present time is North Vietnam.... You should also tell the Cambodians that we will be friends with them. They are murderous thugs, but we won't let that stand in our way. We are prepared to improve relations with them. Tell them the later part, but don't tell them what I said before."

Under Kissinger's direction, the U.S. did exactly that. As the reports of mass murder and starvation in Cambodia spread around the world, the U.S. supported the Khmer Rouge government, as a tool in the "China Card" manipulation of the Sino-Soviet conflict (with North Vietnam defined as being in the Soviet sphere).

Even after the Vietnamese moved in, in 1979, in collaboration with anti-Khmer Rouge Cambodians, to end the genocide, the U.S. (under Kissinger's twin, Zbigniew Brzezinski, President Carter's National Security Advisor) demanded that Cambodia's UN seat be given to the defeated genocidalists from the Khmer Rouge, rather than the new government, which was denounced as a Vietnamese puppet.

Australia Role in East Timor Revolt Exposed

The drumbeat demanding the resignation of East Timor's first Prime Minister, Mari Alkatiri, directed from Australia, grew louder this week as Fernando de Araujo, the head of the small Democratic Party, closely tied to the international human rights mafia, went into hiding, claiming that there was a "hit order" on him which he believed came from Alkatiri.

Australian Foreign Minister Alexander Downer immediately described de Araujo's accusation against Alkatiri as "extremely serious," and said that if the East Timor government failed to investigate, it should be turned over to the UN.

Meanwhile, the head of the rebel force, the Australian-trained Col. Alfredo Reinado, attended a church service in the western mountainous region of East Timor with a dozen armed men, accompanied by two Australian SAS soldiers with automatic weapons. The Australians have reoccupied East Timor as "peace-keepers."

Prime Minister Alkatiri is hated in Australia for his tough negotiating over oil rights in the Timor Sea, his support for the "President's Club" in South America, and similar nationalist policy positions.

Vietnam Completes Its Section of the 'Asian Highway'

More pieces of the ambitious 141,204-kilometer Asian Highway network fell into place this month as Vietnam completed its section, linking Vietnam, Laos, Thailand, and Myanmar, *Asia Times* reported June 13. Do Ngoc Dung, vice director general of the My Thuan Project Management Unit (PMU), announced completion of the work. The US\$144.77 million construction bill was partly financed by the Asian Development Bank.

The \$44 billion Asian Highway network weaves through 32 countries, connecting Asia with Europe. A total of \$26 billion has already been invested in the Highway and \$18 billion more is needed, although it is more than 80% complete.

Philippines *Inquirer* Defends Presidential System

The *Inquirer*, the "newspaper of record" in the Philippines, defended the Presidential system, and warned of a dictatorship should the country shift to a parliamentary system. "We believe," stated an *Inquirer* editorial June 13, "especially at this time, when there is a growing tendency toward authoritarianism, a vigilant Senate can serve as an effective check on the Executive. The nation has seen how a politically smart President can bend the House of Representatives to her will—to kill an impeachment move, or make it pass a general appropriation bill that promotes their selfish political interests. Without a Senate, what will serve as a check on an Executive-House combine?"

Lyndon LaRouche, recently asked by a Philippine official about the attempt by President Arroyo and her backers to change the Constitution to a parliamentary system, made exactly the same warning, reviewing the tendency of parliamentary systems in a time of crisis to generate dictatorships. The American Presidential system, said LaRouche, while easily corrupted, as today, in a time of crisis tends to generate a debate among the branches of government over natural law, and allows creative leadership to solve the crisis constitutionally.

Philippines Fails To Sell Treasury Notes

The Philippine government's weekly effort to sell about \$60 million in T-bills failed totally, as the government would have had to raise the rate from 5.0% to nearly 9%, the *Inquirer* reported June 13. Treasurer Omar Cruz, asked if Manila would issue U.S. dollar bonds to meet debt service, said: "You will not find any issuer in his right mind who will enter this kind of market because of uncertainties. The market is selling. How can you issue when no one is buying?"

This Week in American History

June 20—26, 1935.

FDR Launches a Program To Rescue America's Youth

The Great Depression of the 1930s usually conjures up images of unemployed adult men standing on lines at soup kitchens, or riding in freight cars and living a precarious existence in hobo camps. Actually, one-third of the unemployed during the depression were young people under the age of twenty-five, and many of them became wanderers desperately looking for work. This was a matter of special concern to President Franklin Roosevelt, for he knew that this young generation, hungry and discouraged and limited in their future prospects, was going to have to continue fighting for improvements in the general welfare of the nation.

In March 1934, President Roosevelt wrote a letter to the chairman of the Citizens' Conference on the Crisis in Education which discussed some of his concerns. He wrote: "That our educational institutions have suffered much within the past few years is evident. Because of a lack of funds, thousands of schools have closed early this year and many have eliminated

highly essential services.

"Although the effects of the present lack of adequate educational opportunities on our national life may not be noticeable today, the time may soon come when dire effects will be apparent. It is, therefore, the responsibility of every American to see that the great strides that we have made in education since Colonial times shall not be lost. It is also his responsibility to see that the schools march forward, that the scope of education become such as to provide educational opportunities for every person from early childhood into adult life. One group that we need to consider especially are the many youths who are not in school and who are apparently drifting."

On June 26, 1935, President Roosevelt issued an Executive Order establishing the National Youth Administration. In an accompanying statement, the President said: "I have determined that we shall do something for the Nation's unemployed youth because we can ill afford to lose the skill and energy of these young men and women. They must have their chance in school, their turn as apprentices and their opportunity for jobs—a chance to work and earn for themselves. In recognition of this great national need, I have established a National Youth Administration, to be under the Works Progress Administration."

Roosevelt's executive order set up a National Advisory Board, with similar boards in states and municipalities. "On these Boards," said the President, "there shall be representatives of industry, labor, education, and youth because I want the youth of America to have something to say about what is being done for them." The Executive Director of the project was Aubrey Williams, and he served under Harry Hopkins, the Director of the WPA.

President Roosevelt wrote about his goals for the organization and how it was organized, looking back from the year 1937. "The young people of the United States who had been caught in the depression," wrote FDR, "had special problems in addition to those shared with their elders. Their needs were greater and more far-reaching than the immediate demands of food, clothing, and shelter. They were confronted with the problem of an education, a beginning in a trade or a career, and, above all, the prevention of the natural effects of long idleness and continued frustration. Theirs was a spiritual as well as a physical problem.

"Certain Provisions of the NRA [National Recovery Act] codes increased the difficulty of the problem. Most industries had abolished employment of persons under 16 years of age, a condition which resulted in the immediate discharge of 1,500,000 employed youth. The adoption of minimum wages served also to keep out of employment vast numbers of young people otherwise eligible, because employers who had to pay a definite minimum naturally selected their employees from the vast number of unemployed adults rather than young persons. The result was to swell the number of the hopeless young people looking for jobs, or just 'hanging around' on the street corners, or aimlessly wandering around the country.

"The first direct attack upon this problem was the establishment of the Civilian Conservation Corps. This gathered approximately a half-million boys and young men from the streets and from idleness into a healthful outdoor environment of work. However, the CCC was no help to girls and young women, or to young people who wished to continue in school or college, or to those millions of young men, who, for various reasons, could not be separated from their families. Of course, during this time the enrollment in the colleges where tuition fees were charged was continuing to slump.

"In 1933, a conference of educators was called in Washington by the Commissioner of Education. One of the recommendations of this conference was the extension of financial aid to college students. In December 1933, a program of college aid was inaugurated by the FERA [Federal Emergency Relief Administration]. Under this plan colleges and universities were given relief funds for the employment of students up to 10 percent of their enrollment on useful part-time projects, at the average wage of \$15.00 per month. About 75,000 students immediately took advantage of this, and later, with the quote raised to 12 percent, the number increased to 100,000.

"Even the CCC and the college-aid program, effective as they were, did not reach many hundreds of thousands who could not take advantage of them.

"In the spring of 1935 a survey of depression-youth was made by the Works Progress Administration. It was found that 3,000,000 people between 16 and 25 years of age were on relief, an average of one in seven. Of those on relief in cities, less than 40 percent had gone beyond the eighth grade and less than 3 percent had entered college. Most distressing of all was the discovery of the large numbers of young people, who, in final desperation, had virtually become hobos. The transient service of the WPA in a single day in May 1935, counted 54,000 young people registered at its camps and shelters. There was no way of recording the large numbers of unregistered, who had literally become tramps on the highways and on freight trains."

There were three operating divisions in the National Youth Administration. In the Works Projects Program, out-of-school youths provided clerical assistance in public offices, library work, park beautification and landscaping, soil erosion control, and minor construction. In the student aid program, which covered both high school and college, young people worked to maintain school grounds and buildings, provided clerical assistance to the faculty, did library and laboratory work, and also provided educational and recreational work in the community.

The Guidance and Placement program provided placement activity through Junior Employment Counselors, and the Federal Committee on Apprentice Training worked through the NYA to provide apprentice training for young workers. During the two years ending in June 30, 1936, the benefits of the Youth Administration reached 1,500,000 young people. Employment levels reached approximately 500,000 early in 1936 and remained at that level. At the peak of operations in April, 1936, there were 404,749 young people receiving student aid and 181,279 employed on projects.

The Junior Placement Service established offices in 50 cities throughout the country. By the close of 1936, 65,700 young job applicants had been interviewed, and 24,941 had been placed in private employment. A program of educational camps for unemployed young women was begun in September of 1936, and by the close of the year 16 camps had been established with a total enrollment of 1,009 young women.

President Roosevelt issued an executive order banning discrimination in all WPA projects, and as a consequence, there were a total of 300,000 black youths who passed through the NYA program. After the devastating hurricane and tidal wave of September 21, 1938 hit New England, causing 460 deaths and \$150 million in damages, National Youth Administration workers were deployed in cooperation with the Corps of Engineers, the Civilian Conservation Corps, WPA workers, and the Red Cross, to provide help to the hurricane's victims and to aid in reconstruction efforts.

By October of 1936, in a speech at Kansas City, Missouri, President Roosevelt could state that, "Nothing has made me happier on this trip than seeing at first hand that the youthful hitch-hiker has disappeared from our highways and from the box cars and freight trains. The youth of the land can once more look forward with confidence and courage just as we of the older generation did in our day."

By 1940, President Roosevelt was gearing up American production, especially defense production, in order to meet the fascist threat coming from the Axis Powers. In a press conference on May 17, he was asked by a reporter where America was going to get all the workmen needed to gear up industry. The reporter then asked the President whether he would consider expanding the Youth Administration's work experience school as a feeder for the workmen needed for the gear-up program. Roosevelt answered that there would be training through a half-dozen methods, one of them the NYA.

At a subsequent press conference on January 3, 1941, Roosevelt stated that, "I think NYA alone is training about 300,000 people at this moment." Nevertheless, after the Congressional elections of 1942, the anti-FDR coalition put a rider on a war appropriations bill, and succeeded in shutting down the National Youth Administration.

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