

## Electronic Intelligence Weekly

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## THIS WEEK YOU NEED TO KNOW

### Putin-Bush Summit: 'A Real Mess'

To date, since 1998, the successive Clinton and Bush Administrations, with complicity of the leaders of both parties in the Congress and the Federal Reserve System, have been variously condoning or crafting what they knew to be vast financial frauds, while lying massively to the world about what they knew to be the reality of the onrushing greatest monetary-financial crisis in centuries.

We told the people, but most of the people replied, "Nearly all my friends say you are wrong." So much for popular opinion. Run with the sheep, and be sheared, if you are not actually slaughtered as well.

This gigantic fraud was key to any insightful reading of the recently reported discussions between the governments of the U.S.A. and Russia. What those reports really mean, perhaps no one knows, including the relevant principles. All any intelligent viewer could say about the reported agreements, is: "Who in Hell—or, from Hell—is fooling whom?" Is Russia playing a deception game, waiting for the U.S. to fall apart? Or, is the liberal faction willing to destroy Russia, in order to follow the Olin Institute's 1998 anti-Primakov plan for destroying the Eurasian Land-Bridge program? Or, what?

Considering the latest rash of financial and economic reports, mostly from inside or just outside bankruptcy court, one might imagine a large sign hung over the portal of the Pentagon, "War Called Off: We Are Broke." (Yes, Myrtle, the President does have an Iraq war-plan on his desk—the one with all those loose screws.)

## ECONOMICS NEWS DIGEST

### Myth of the 'Recovery': Statistics or Snake-Oil?

With each passing day, more is revealed about the wild manipulation, deception, and fraud which went on behind the scenes at the energy pirates and their cell-mates, the new breed of telecommunications companies. These so-called industries turned out to be shams and scams, cooking their books so much they needed barbecue sauce.

As each day's news makes plainer, those who argued against Lyndon LaRouche, and insisted there was a recovery, are now revealed as having been relying on frauds, fakes, and scams. LaRouche was right; the "recovery"-peddlers were very, very wrong.

The level of admitted deceit and fraud (and what has been revealed is as nothing, compared to all that they were doing) is so blatant that only a fool would continue to push deregulation and the New Economy. We expect it from Sen. Phil Gramm (R-Texas) and his wife Dr. Wendy "Miss Enron" Gramm, whose corrupt careers and bank accounts were made from pushing such nonsense, but we had hoped for better from the Democrats, who at least feel some need to keep up the

pretense that they care for the little people.

Take the Senator from Connecticut, Joe Lieberman, for example. Despite the abject failure of the "we're Republicans, too" Gore-Lieberman strategy of 2000, clueless Joe is basing his own run for the Presidency on the slogan that the bubble is real.

"Don't let Enron's collapse fool you into thinking that the success of the 1990s was just balance-sheet bloat," Lieberman told the Economic Club of Detroit on May 20. "It was real." - A Decade of Fraud -

Lieberman is correct in saying that it wasn't just balance-sheet bloat in the 1990s: It was also phony trading, fraudulent revenue claims, overstated profits, overvalued assets and a complete breakdown in government regulation that brought us to where we are today.

Take the energy pirates, for example. Most of these companies reported as *revenues* their *gross sales*, rather than their net revenues from those sales. Throw in the "round-trip" trading in which these companies would sell a block of energy to another trader, then immediately buy that energy back at the same price, and you have the makings of a real revenue machine. Such shenanigans made Enron No. 5 on the Fortune 500 for 2001.

### **Where were the regulators? Where was the much-hyped "industry self-regulation"?**

The telecommunications companies were running a similar scam by leasing capacity on their networks to each other to artificially inflate revenue.

These tricks, along with hiding debt and losses in off-balance-sheet entities, booking the entire amount of multi-year sales income in the first year, overstating the values of assets held, have led to serious over-statements of corporate profits in recent years. Despite record numbers of corporate profit restatements in the last couple of years, only the tip of the iceberg has been revealed.

Even so, with all the tricks, the reported level of corporate profits is declining in the United States. U.S. corporations reported \$767 billion in net profits in 2001, down from \$876 billion in 2000. Heaven only knows what it would be, were honest numbers reported. - Political Economic Indicators -

The same level of fakery is present in the so-called economic indicators compiled by the government, such as the GDP and employment figures. The process by which these numbers are calculated goes something like this: The desired number is determined by top officials, who then tell the statisticians to juggle the figures until the desired result is obtained. In other words, they make it up and then fake the statistics to fit. The more the economy collapses, the greater the fakery needed to show "growth."

The level of fraud in corporate financial reports and government economic statistics is so great, that it cannot be hidden from view. Therefore, rather than deny it, the financiers attempt to surround their fraud with a bodyguard of lies—namely, the daily soap opera-style stories about individual rogue companies.

The truth is that the books and statistics are being systematically faked to hide the bankruptcy of the financial system itself, which has been in the final phase of collapse since 1997. This is not an "accounting" problem, to be solved by tweaking a few rules, but a systemic crisis, in which a happy face is being put over an emaciated death-mask. - Self-Delusion -

These fake numbers work in the same way the emperor's new clothes worked—people believe them because they prefer the comfort of their delusions to the naked truth. It was obvious all along that the dot.com frenzy was a bubble, that energy

deregulation was not economically viable, and that the Internet was no substitute for an industrial economy. Yes, the Wall Street analysts and financial experts lied to us, but that doesn't explain why we believed them. The snake-oil salesman are out there plying their trade, because there are suckers who buy their wares, preferring the lure of a quick buck or a quick fix to the hard work of solving the underlying problem.

There is no recovery. The reports are all faked, to hide the depression and feed the delusions. Don't be a sucker; join LaRouche's fight to build a new economic and financial system—one that works.

*—Adapted from an article by John Hoefle in The New Federalist, May 27.*

### **Explosive Growth in On-Line Energy Trading: Due to Sham Trades?**

The Intercontinental Exchange (ICE), a "platform" where companies buy and sell contracts for natural gas, electricity, and coal, said natural-gas trading volume during the first quarter of 2002, increased by more than 25 times, or 2500% (!), over the same quarter last year, to 31 trillion cubic feet of gas, while power trading grew more than sevenfold, or 700%, to 1 billion megawatt hours of electricity.

ICE, which began energy trading in October 2000, is owned by a consortium of trading firms, including Duke and American Electric Power, along with banks such as Deutsche Bank, Goldman Sachs, and Morgan Stanley. Energy giants BP and Royal Dutch/Shell also own stakes. Duke has admitted using bogus deals—most of them executed on ICE—to falsely boost revenue.

This investigation is another ticking time bomb. The Federal Energy Regulatory Commission (FERC) told 150 power companies to disclose—by May 31—whether they engaged in bogus electricity trading that may have artificially boosted prices during the California energy crisis that has been going on for the last 2 years.

### **Merrill Lynch Settlement a 'Template' for Other Wall Street Firms**

The fraudulent practices of Merrill Lynch in hyping up stock sales with phony analyst reports is so widespread that there was a special emergency White House meeting on May 20 to discuss the problem, a leading financial source told EIR in Europe.

New York State Attorney General Eliot Spitzer slapped Merrill with a \$100 million fine, based on the Martin Act, a New York State law on securities fraud, and said that he expects other securities firms to voluntarily seek settlements with his office. If they don't, he will proceed with investigations against individual firms. High on the list, are Salomon Smith Barney, and Morgan Stanley, according to people familiar with the probe. "The problem is endemic to the industry. We believe until these reforms encompass the entire industry, it will not be enough," Spitzer said at a press conference on May 21.

Goldman Sachs has hired Gerald Corrigan, former chief executive of the Federal Reserve Bank of New York, as an ombudsman, to counsel analysts on potential conflicts of interest. Salomon Smith Barney, following Merrill's settlement, will separate analyst pay and evaluation from investment banking, and is establishing a research review committee, CEO Michael Carpenter said in an internal memo.

Nonetheless, SEC Director of Enforcement Stephen Cutler promised that the settlement "is not the finish line."

### **Siemens To Cut 7,000 Jobs; Deutsche Telecom Continues Slide**

Siemens, Germany's largest electronics and engineering firm, announced May 22 that it will cut 7,000 jobs at its business unit, in order to reach "profitability goals." Already last year, Siemens, which now employs 443,000 worldwide, shed 20,000 workers from its mobile phone and telecommunications networks units. The new job cuts will hit Siemens Industrial Solutions, which currently has 30,000 employees. While 2,000 workers will be fired, Siemens will try to sell units which now employ 5,000 workers. Siemens CEO Heinrich von Pierer said he will sell or shut down any business "that doesn't show signs of a turnaround by the end of the business year."

Meanwhile, Deutsche Telecom announced that while revenues were up 15% over last year, to 12.77 billion euros, in the first quarter of 2002, it still recorded a total net loss of 1.8 billion euros, in the same period, compared to a loss of 358 million euros, in the first quarter of last year. Deutsche Telecom is loaded with some 66 billion euros in debt. The news sent Deutsche Telecom's stocks down to 12.41 euros per share—down from a high of 105 in March 2000.

### **Sweden's Vattenfall to Cut More Than 4,000 Jobs**

Once again, demonstrating the benefits of deregulation: After the mega-merger of four *privatized* German utilities, Sweden's Vattenfall Europe will cut over 4,000 jobs. The new corporation will include four large, formerly public, regional utilities—HEW (Hamburg), BEWAG (Berlin), VEAG and Laubag (both operating in Eastern Germany)—that were privatized and bought up by Sweden's energy giant Vattenfall. The new company will become the third-largest utility in Germany. Presently, the four units employ 20,000 workers, but the designated CEO of Vattenfall Europe, Klaus Rauscher, acknowledged that they intend to cut more than 4,000 jobs by 2005.

Meanwhile, German Chancellor Gerhard Schröder praised the merger as "good news for employment in the new [East German] states, for reliability of electricity supplies, and for competition in the energy markets." According to *dpa* May 22, Schröder used the occasion of the Vattenfall congress, to promote a further liberalization of European energy markets, boasting: "We succeeded in opening the German markets for electricity and gas completely."

### **Lack of Health Insurance Kills Thousands of Americans Each Year**

A recent report by Institute of Medicine confirms what many people already knew: Thousands of Americans without health insurance are dying needlessly for lack of medical care. Overall, 18,314 uninsured adults—8,219 in the 55-64 age group—in the U.S., die each year because they don't receive proper health care, including preventive services, a timely diagnosis, or appropriate care, according to "Care Without Coverage: Too Little, Too Late," the National Academies' Institute of Medicine report. The estimated death toll includes about 1,400 people with high blood pressure.

The main findings of the report are that the 30 million working-age Americans without health insurance are more likely to:

- \* receive too little medical care and receive it too late;
- \* be sicker and die sooner;
- \* receive poorer care when they are in the hospital, even for acute situations like a motor vehicle crash.

A few examples:

- \* Uninsured people with colon or breast cancer, face a 50% higher risk of death, due to delayed diagnosis.

\* Uninsured trauma victims are 37% more likely to die of their injuries—even when in the hospital—because they receive fewer diagnostic and treatment services.

\* About 25% of adult diabetics without insurance for a year or more, went without a checkup for two years, boosting their risk of death, blindness and amputations resulting from poor circulation.

Being uninsured also increased the risk of death and disability for chronically sick and mentally ill patients, poor people, and minorities, the study states.

## UNITED STATES NEWS DIGEST

**Bush Goes to Europe and Russia: See Special Report from EIR in Germany in EIW's [InDepth](#)**

### **Top Military Brass Press Opposition to Iraq Adventure**

In a backhanded admission that Lyndon LaRouche has been right again—this time, about the U.S. military's lack of capability to carry out extended wars, or simultaneous wars in Afghanistan, Iraq, Iran, and who-knows-where else—the Joint Chiefs of Staff has leaked to the press that the top brass are urging the President to back off plans for the widely mooted attack on Iraq. The *Washington Post* on May 24 reported that there are intense "behind-the-scenes" efforts by the Chiefs to pull the Bush Administration back from an Iraq war, while the *New York Times* the same day, disclosed a "top-secret," "highly classified" war-game exercise, demonstrating how dangerously overstretched U.S. forces are becoming, with respect to new "anti-terrorism" adventures.

The *Post* story stressed the fierceness of the faction fight between the uniformed military leaders and the super-hawks associated with Deputy Defense Secretary Paul Wolfowitz. "All the Chiefs stood shoulder to shoulder," against what a top general calls the "Iraq hysteria" of the pro-invasion faction, a military source said.

The officers' briefings stressed the dangers of potential urban warfare in Baghdad that could kill thousands on both sides, and that there is no real plan for a viable regime to replace Saddam Hussein.

Gen. Tommy Franks warned that an invasion would need at least 200,000 troops. But the war faction backs the plan of retired Army Gen. Wayne A. Downing, calling for "conquering" Iraq with airstrikes and Special Operations attacks cooperating with "indigenous fighters"!

The *Times* reported on a huge war game, code-named "Prominent Hammer," which revealed that in any new war the U.S. would have severe equipment shortages of all kinds. And even the supposed small-scale operation already launched in Afghanistan brought demands for the scarce equipment to the level of a full-scale war.

The *Times* also reiterated earlier warnings by General Ralston and Admiral Blair, that at the height of the Afghanistan deployment, the U.S. was not prepared to deal with any adversary that might have taken advantage of the moment to launch an attack elsewhere. The senior officers also stress that the use of the military for homeland security duties is already dangerously stretching U.S. forces.

### **House Passes New Welfare Reform Bill**

The House of Representatives Republican leadership rammed through its welfare "reform" proposal May 16, by a vote of

229 to 197. The bill is similar to that proposed by President Bush earlier this year: Its main feature is the increase in the required number of work hours per week, from 20 to 24 for each recipient, and the increase, from 50% to 70% of recipients by 2007, in the participation rate required for a state to be eligible for grants. House Ways and Means Committee Chairman Bill Thomas (R-Calif.) declared that the 1996 welfare reform has been a success, and that the new bill "is an attempt to put legislation together that will focus on areas that need greater attention, to maximize the opportunity to move people from poverty to productive work."

The Democrats, while not arguing with the GOP's outrageous assertion that the 1996 act promoted the common good, did say that the new bill was anything but an improvement. Their objections fell into three general areas: lack of flexibility for the states, lack of funding for child care, and reduction of access to job-training programs. Ben Cardin (D-Md.) told the House that the bill "would require states to take resources away from job-training programs and child-care programs into workfare programs" which would deny people "real jobs and the opportunity to move up into the workplace." He added that the bill takes away flexibility to provide educational services to welfare recipients.

Another argument that the Democrats raised was the cost to the states. Cardin said that the bill will cost states \$15-18 billion to comply, almost two-thirds of which will be for child-care programs. Jim McDermott (D-Wash.) noted that that amounts to a \$280 million unfunded mandate for the state of Washington, "where they are already \$1 billion in the hole."

## **Senate Heads for Fiscal Gridlock**

The collision of several pieces of legislation with the Memorial Day recess is almost certain to guarantee partisan gridlock in the Senate. On May 21, Minority Leader Trent Lott (R-Miss.) appeared with other GOP members to call on Majority Leader Tom Daschle (D-S.D.) to call up the fiscal 2003 defense authorization bill as the first order of business after the Senate returns in June, to be followed by the defense appropriations bill. The GOP supports the authorization bill, which passed out of the Armed Services Committee on May 10, except for the fact that the Democrats succeeded in cutting about \$1 billion from missile defense. Wayne Allard (R-Colo.) predicted that missile defense will be a "contentious issue" when the bill comes to the Senate floor.

Daschle has an entirely different agenda, not supported by the Republicans, with the possible exception of John McCain (R-Ariz.). Speaking after the GOP press conference, Daschle said that he hoped to bring up the fiscal 2002 supplemental appropriations bill, hate-crimes legislation, and possibly a bill to create a commission to investigate the failure of government agencies to act on pre-Sept. 11 intelligence information regarding possible terrorist attacks. The latter effort is being co-sponsored by McCain and his alter-ego, Joe Lieberman (D-Conn.). Daschle said his intention is to move "reasonably quickly."

## **Wall Street Journal 'Discovers' Christian Zionists But EIR has the Authoritative Story**

*Note to EIW readers: On May 23, 2002, the Wall Street Journal became the latest "establishment" publication to issue an investigative report on the role of U.S. based Christian fundamentalism and Christian Zionism in throwing total support behind the fascist policies of Israeli Prime Minister Ariel Sharon's government, including the plan to drive all Palestinians out of Israel and the Occupied Territories (the "transfer" option), and the annexation of the West Bank and parts of Lebanon (the "Eretz Israel" or Greater Israel option).*

*The Journal article follows similar reports in Time magazine, the German newspaper Suddeutsche Zeitung, and London-based newspapers that appeared during the hideous Israeli assaults on Jenin, Ramallah, Bethlehem, and the West Bank. Ironically, the Wall Street Journal has been in alliance, for over ten years, with the same Christian Zionists they are "exposing," especially as part of the campaign to impeach Bill Clinton or drive him out of office through a resignation.*



*For those who want the real history of how, and why it is that this phenomenon is used to blackmail the White House and the U.S. Congress—the only fully authoritative source has been Lyndon LaRouche's Executive Intelligence Review (EIR).*

*Of particular relevance are two special reports and one book by EIR: the March 1986, "Moscow's Secret Weapon: Ariel Sharon and the Israeli Mafia" which exposes the Christian/Zionist outfit, the American Jerusalem Temple Foundation; the January 1993 book, The Ugly Truth About the ADL and the December 2000 "Who Is Sparking a Religious War in the Middle East?" All are available from EIR's Online Store at [www.larouchepub.com](http://www.larouchepub.com).*

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On May 23, the *Wall Street Journal* published a front-page investigative report, under the title "Chosen People—How Israel Became a Favorite Cause of Christian Right"—by Tom Hamburger and Jim VandeHei, which claims that a new phenomenon "has burst into view" since Sept. 11, namely the alliance between Israel and Republican conservatives. The *Journal* states:

"The shift is having far-reaching consequences. More than any single factor, it explains why there has been so little pressure from a Republican White House on Israel to curb its crackdown on Palestinians.... House Republican Leader Dick Armey of Texas has gone so far as to suggest that Palestinians, not Israelis, ought to be the ones to surrender land in the quest for peace."

The authors trace the origin of this operation to the Christian coalition, that emerged in 1980, when religious conservatives flocked to the candidacy of Ronald Reagan for President. This changed the composition of the GOP from mainline Protestant denominations to the Religious Right. Even so, the turning point did not come until after President Ronald Reagan authorized the sale of five Airborne Warning and Control System (AWAC) planes to Saudi Arabia, when all but 12 of the 53 Senate Republicans including Majority Leader Howard Baker of Tennessee, voted against Israel and its lobbying organizations opposition.

Importantly, the authors point out that after the AWACs sale, the American Israel Public Affairs Committee (AIPAC), through its executive director Tom Dine, began a concerted campaign to recruit conservative supporters, especially Evangelicals. But the *Journal* tends to downplay the determination—with significant funding—of AIPAC to seek out those "conservative Christians, whose interpretation of the Bible declares Israel the covenant land promised to the Jewish people by God."

The expose includes valuable details, including how the Zionist lobby made a "tectonic shift" in funding to Republican Senate candidates in rural areas, beginning to abandon (or threaten to abandon) liberal Democratic candidates they traditionally supported; how right-wing Zionist lobbyists have been flying politicians and Christian evangelicals to "experience the Holy Land."

Also, says the *Journal*, the office of House Majority Whip Tom DeLay of Texas, is going to have the Zionist lobby host several major fundraising events on his behalf, after the rabidly pro-*Eretz Yisroel* speech that he gave to the AIPAC conference, to finance the 2002 GOP elections to Congress. In addition, Rabbi Yechiel Eckstein, who directs the Chicago-based International Fellowship of Christians and Jews, says that conservative Christians have contributed more than \$60 million since 1994 to help Israel, and especially since Sept. 11.

The *Journal* also identifies the key role of Rev. Ed McAteer in the Christian Zionist operation. For a background on this, see last week's EIW article, "Weyrich Rallies Catholics To Join Christian Zionism's Armageddon Army."

# MIDEAST NEWS DIGEST

## Israel's Economic Crisis Pushes Sharon to Desperate Measures; Syria May Be Next Target

The Israeli Knesset voted up Prime Minister Ariel Sharon's economic austerity plan, including cuts in social security and family assistance, on May 22. Had the vote failed, as it did one day earlier, Sharon would have had to put together a new coalition, or possibly call new elections. The budget was voted up 65 to 26, with the remaining 29 Knesset members either absent or abstaining. Unlike the May 21 round, the entire Labor Party faction, except for Knesset member Shlomo Ben Ami, voted for the plan. Ben Ami was out of the country at the time, but he has threatened to leave the party if it does not pull out of Sharon's government. On the right wing, all the members of Sharon's Likud party showed up and supported the plan, as did the opposition Shinui Party.

One of the factors contributing to the high winning margin, was that Standard and Poors threatened to lower Israel's credit rating if the plan, which called for 13 billion shekels in budget cuts, was not passed. So desperate is Israel's economic situation, that the American Israel Policy Action Council (AIPAC), the right-wing Israeli lobby in the U.S., has gone into emergency overdrive to get Congress to pass an additional \$200 million in appropriations for Israel. However, a growing number of Jewish Americans—including pro-peace Zionists—oppose the use of their U.S. tax dollars for Sharon's war. Informed sources told EIW that Sharon is actually demanding the U.S.-based Zionist lobby fork over \$900 million for the near-term survival of his government.

This week's EIW [InDepth](#) reviews the soon-expected fall of the Sharon government, and the drive to destabilize Lebanon and Syria with the assassination of Mohammed Jihad Jibril.

## Palestinian Authority, Arafat Denounce Suicide Terrorism as an Aid to Sharon

The Palestinian Authority leadership, following the third alleged suicide bombing to hit Israel last week, issued a statement May 22, condemning the recent suicide bombings as a "terrorist" act. "The Palestinian leadership has learned with rage and indignation of the new terrorist attack, which targeted Israeli civilians in Rishon Letsion," the statement said, adding, "This operation will be used as a pretext by [Israeli Prime Minister Ariel] Sharon to pursue his savage acts against our people. Palestinian people publicly reject these kinds of operations."

The suicide bombing at Rishon Letzion came just hours after Israeli Defense Forces helicopter gun ships fired several missiles that left five Palestinians dead, including their target, local Al-Aqsa Martyrs Brigade leader Mahmoud Titi.

Palestinian Authority President Yasser Arafat also condemned the suicide bombing, and Palestinian chief negotiator Saebe Erekat was quoted as saying on NPR Radio in Washington, that violence begets violence, and adding that the assassination coming from nowhere had triggered this tragic event.

## Israel Arrests German Observer; Steps Up Repression

In the weeks since international pressure denounced the "Operation Warsaw Ghetto" annihilation of Palestinians, the Israeli government's institutions have turned to hardcore repression against any critics.

In an outrageous incident against a German official of the Friederich Naumann Stiftung (Foundation), the Israeli police interrogated Dr. Burckhard Blanke, director of the FNS branch in Israel, demanding he explain charges that he had made anti-Semitic statements, "in a manner that encourages racist acts." Blanke had criticized the policy of Sharon. Police also raided Blanke's home, seizing maps and newspaper clippings, assessing these as "information related to military affairs,"



allegedly destined for Palestine terrorists. The trumped-up affair mirrors events going on in Germany against the Free Democratic Party—under whose auspices the Naumann Foundation operates. German Foreign Minister Joschka Fischer got on the phone with his Israeli colleague Shimon Peres, demanding a clarification on the incident. Peres later communicated that the police had been "mistaken," and that none of the charges could be "substantiated."

At the same time, the Sharon government stepped up harassment and threats against Israeli reserve officers and soldiers who signed the Combatants Letter of Refusal to serve in the occupation army in the West Bank and Gaza. Soldiers have been thrown in jail for several weeks' duration of their reserve call-up, and immediately upon release, are served another call-up notice so that they might be arrested again.

On the legal front, a decision by the Israeli High Court was handed down this week in a case brought by 40 Palestinian inhabitants in the Gaza Strip, which decision says that the IDF has the right to demolish any homes it wishes, provided it is "operational reasons," and that advance warning had been given.

### **U.S. Military Chiefs Say U.S. Not Prepared to Fight Iraq War**

According to USA Today, the largest circulating daily newspaper in the United States, the military chiefs of the U.S. Army, Navy, Air Force, and Marines are warning Defense Secretary Donald Rumsfeld about U.S. lack of readiness, and lack of manpower and equipment to fight a war in Iraq. *EIR* carried a detailed story of the uniformed military opposition in its April 26, 2002 edition. But this leak to *USA Today*, which placed the story on its front page May 23, is the first time that anyone has claimed that the heads of *all* the services are warning Rumsfeld against the war.

Defense sources told the newspaper that the chiefs "do not oppose" the Iraq war, but are getting into a "clash with the civilian leadership of the Pentagon which believes Saddam's government can be toppled easily." It specifically mentions Undersecretary of Defense Doug Feith as someone who claims the Hussein government will topple easily. Feith is a notorious member of the neo-con, right-wing Zionist cabal in Washington, whose family ties go straight into the Jabotinskyite terrorist tradition of Zionism. Addressing all the concerns that the utopian perpetual warriors ignore, the Joint Chiefs point out that special operations teams are overstretched already; that one cannot fight a war without cooperation from Iraq's Arab neighbors, and how refueling and maintenance would be impossible without regional cooperation.

Also on May 23, an article appeared in the *New York Times* saying that diplomats among the members of the UN Security Council are "backing" Secretary of State Colin Powell, and attempting to "weaken" Rumsfeld on the question of an Iraq war. UNSC diplomats, wishing to remain anonymous, told the *New York Times* that the United States is along in wanting a war. Every other member of the UNSC opposes military action, and is doing everything possible to try to make sure that the "Rumsfeld view" is defeated. On May 14, the 15-member UNSC, whose presidency is currently held by Russia, unanimously passed Resolution 1409, which calls for the adoption of a "goods review list" to replace the current oil-for-food regime; the reform is expected to increase the rate of delivery of humanitarian assistance. According to the *Times*, behind the scenes there are a lot of discussions about weapons inspectors from the UNMOVIC, the UN Commission made up of 40 individuals from 28 countries, reaching an agreement with the Iraqi government to continue their work.

## **WESTERN EUROPEAN NEWS DIGEST**

### **LaRouche Slandered in top London Paper; City Now 'Cocaine Capital'**

A book just published in France, entitled *L'Effroyable Imposture (The Frightful Deception)*, by Thierry Meyssan, the head of the think tank Réseau Voltaire, has provided the occasion for London *Sunday Times* commentator Stuart Wavell to issue a slander against Lyndon LaRouche in the May 19 edition. He portrays Meyssan's book as a huge conspiracy theory, feeding

various paranoidias about Sept. 11. He says that the book's central theme "is that the Pentagon was not attacked by Islamic terrorists, but by a military-industrial complex intent on furnishing an excuse to prosecute war against Afghanistan and Iraq. 'Its wildest dreams have now been fulfilled,' Meyssan writes." Wavell complains that conspiracy theories about Sept. 11 have become big business.

Wavell next attempts to revive a long-discredited slander of LaRouche: "In the scale of conspiracy theories, however, Sept. 11 is small beer ... According to American political maverick Lyndon LaRouche, it fits into a global conspiracy by Britain to subjugate the planet. The Queen, he claims, is deeply implicated in spreading narco-terrorism throughout the world."

Ironically, a headline in the *London Independent* the same day proclaimed "London is the cocaine capital of the world." British police have been unable to stem the flow of cocaine into the country, and Deputy Assistant Police Commissioner Mike Fuller blamed London's financial institutions for fueling the market. "We are aware the heaviest users are people in the City," he said. "A lot of the drug dealers can get more 'bangs for their bucks.' Workplace testing would make people tackle their addiction." The *Telegraph* adds that, according to the UN, cocaine use is declining across the rest of the world, "and Britain's flourishing market is a worrying blip."

In addition to the *Independent's* coverage, the *Sunday Telegraph* reports new figures from the Office of National Statistics showing that cocaine deaths in Britain have increased seven-fold since 1993, when there were 12, to 87 in 1999. Overall, drug deaths have increased from 461 in 1993 to 1,244 in 1999 in England and Wales. The price of cocaine has dropped from 200 pounds sterling in 1990 to now 40 pounds per gram. This price drop is accompanied by a widespread belief that cocaine is a "clean" drug, and not addictive, like heroin, which is not true.

## **EC Member States Win Important Fight on Subsidies to Truckers**

The European Commission decided not to take legal action "to defend its powers over state aid against an unprecedented attack by the 15 member states," the London's *Financial Times* reported May 15. Last month, the 15 national governments approved state subsidies to truckers promised by governments in France, the Netherlands, and Italy. This approval was quite surprising as it had to be unanimous. It also "marked the first defeat of the Commission on a state aid matter outside the agriculture sector." The European Commission had planned to bring the case in front of the European Court of Justice. However, legal advisors told the European Commission that it would most likely lose the case if national governments would justify the subsidies by "exceptional circumstances." Furthermore, there happened to be a split within the European Commission, with some Commissioners backing up their national governments. The *Financial Times* concluded that this development "could weaken the Brussels authorities' ability to curb government subsidies to companies."

Meanwhile, the European Commission put out a strong warning against France in its annual report, warning that France "cannot afford further delay" in cutting its budget deficit. Both the European Commission as well as German Finance Minister Hans Eichel are reacting very angrily against Jacques Chirac's election promise of abandoning the plan for a "balanced budget" by 2004.

## **Europe To Retaliate for U.S. Steel Tariffs**

The EU has submitted a list to the World Trade Organization of \$2.3 billion in U.S. exports that it may hit with trade sanctions, in retaliation for the steel tariffs the U.S. imposed on March 20. If approved by EU member countries, within the next month, \$300 million worth of U.S. exports would be hit with 100% penalty tariffs, while \$2.3 billion of U.S. goods would be slapped with tariffs ranging from 8% to 30%.

IMF Deputy Managing Director Anne Krueger, said the U.S. steel tariffs were "not totally in accord with international trading rules," as they go beyond WTO safeguard provisions, in a speech to the National Council on Economics Education.

## **Swiss To Remain 'Neutral' on FARC Narcoterrorists**

Colombian President Andrés Pastrana's appeal to the European Union to include the narcoterrorist Revolutionary Armed Forces of Colombia (FARC) and National Liberation Army (ELN) on its list of international terrorists, apparently did not carry the same weight as the FARC's appeal. Despite Pastrana's personal call to the Swiss government—the most vociferous opponent of including the FARC on the EU list—to change its position, Swiss foreign policy spokeswoman Daniel Stoffel announced last week that Switzerland will remain neutral toward the Colombian "conflict."

According to *El Tiempo* May 16, Stoffel's announcement was in direct response to a letter received from FARC international spokesman "Raul Reyes," which called on the Helvetic Confederation to stay neutral toward Colombia, and to refuse to categorize the FARC as terrorist. Said Stoffel, Switzerland does not keep lists of terrorist organizations, but will adhere to any sanctions decreed by the UN. Not surprisingly, the UN has failed to take any formal position toward the FARC, despite the visit of its human-rights representative in Colombia, to Bojaya, where 120 civilians—mostly children—were blown to bits by FARC mortars launched against their church sanctuary earlier this month.

## **European Auto Industry Crashing; Italy Worst Hit**

Figures published by the European auto industry show a 2.6% decline of sales in the European Union, with a dramatic - 13.4% in Italy during the month of April. Worst hit is the Fiat auto group, with a collapse of 20.1% in April, and a decline from 10% to 7.9% of the European market share.

Fears that the largest Italian industrial group, Fiat, could be bought by foreign interests have materialized, as the group's value declined to an all-time low. As a result of declining earnings in 2001 and the first quarter of 2002, Fiat's capitalization is today half of what it was two years ago: down from 14.7 billion euros to 7.6 billion euros. This makes the group a potential target for a hostile takeover, and the idea that Fiat could pass into foreign hands, and that Italy might lose a center of automobile production, has sent shock waves through the country.

Fiat is one of the last large private industrial companies left in Italy, with 18 factories (plus three in Poland, two in Argentina, and one each in Brazil and Venezuela) and 12 research centers (one in Brazil). Fiat used to employ up to 300,000 workers, but years of downsizing has cut its Italian workforce down to 80,000. Given that for each Fiat worker, there are three who work in feeder industries, it is feared that the real figures could quickly multiply.

In reality, a process has already started by which Fiat's industrial activities might already be on their way to being transferred out of Italy. A few years ago, a new manager was called in from General Electric, Paolo Fresco. Then, in December 2000, Fiat owner Gianni Agnelli sold 20% of Fiat auto to General Motors, which holds an option to buy the other 80% in 2005. Last year, the auto division was reorganized and a totally independent financial division was introduced. Significantly, Fiat President Agnelli was absent from the general stockholders meeting May 12, officially for medical reasons, for the first time in history.

## **German Tax Revenues Sharply Below Expectations**

German tax revenues in the first quarter of 2002 have fallen considerably below the level of last year, while the government had expected an increase. But the new semi-annual tax estimate, put out by a group of experts, called the "Working Group Tax Estimate," was even more shocking than these results indicate. For the year 2002 alone, total German tax revenues, from Federal, state, and municipal taxes, are now expected to fall 11.7 billion euros behind the estimate of just six months ago! For each of the next three years, tax income will be about 18 billion euros lower than forecast in November, making up a combined tax hole of 65 billion euros in four years. The main contributing factors are both the weak

economy—obviously much weaker than expected—as well as the miscalculation concerning the effects of recent tax reductions, in particular for large companies.

## **IBERO-AMERICAN NEWS DIGEST**

### **Anger Sweeps Peru as Heroes of '97 Anti-Terror Rescue Are Arrested**

A storm of anger erupted in Peru last week, after the Attorney General issued arrest warrants against 12 military heroes who helped rescue hostages held by the Tupac Amaru Revolutionary Movement (MRTA) terrorists in 1997. Seventy-two captives, held for 126 days in the Japanese Ambassador's residence in Lima by 14 heavily armed narcoterrorists of the MRTA were rescued on April 22, 1997, in a spectacular assault by 140 Peruvian commandos. Two officers gave their lives protecting hostages, whom the MRTA sought to kill as the commandos entered the residence. All of the hostages survived, but one, who, wounded by the MRTA, died on the operating table later.

"Operation Chavin de Huantar," as the rescue was known, which was so brilliantly orchestrated that it took only 15 minutes, not only saved those individual lives, but the nation of Peru itself, by effectively ending over 15 years of war by the MRTA. The intelligence and daring with which the rescue was designed and carried out was recognized the world over, starting with Lyndon LaRouche. In 1998, then U.S. Southern Command chief Gen. Charles Wilhelm called the rescue "one of the few resounding victories against world terrorism in the last 20 or 30 years."

Just as EIR warned, the mafiosi installed in power through the Alejandro Toledo government, seek to jail those who risked their lives in that operation—and to nab former President Alberto Fujimori, who was in office during that time, in the process. Attorney General Nelly Calderon issued arrest orders on May 15, charging the 12 officers with summarily executing several MRTA terrorists, during the split-second raid! The case is based on the alleged "forensic findings"—yet to be released—of a team from the Peruvian Institute of Forensic Anthropology, who exhumed and then examined the bodies of the MRTA terrorists killed in the raid. The openly stated intention of those involved, is to charge Fujimori with genocide, for having allegedly ordered the MRTA "executed."

The special prosecutor on human-rights violations, Rolando Gamarra, who is leading the case, was a member of the MRTA's own legal apparatus, according to the newspaper *La Razon*. Gamarra had given conferences on legal and political issues to an MRTA front called the UDP, where he offered legal justifications for the MRTA insurgency and called on the international community to grant the MRTA status as a "belligerent" force. Although never an open MRTA activist, he was reportedly very close to top MRTA leaders now serving time for narcoterrorism.

The attack could be the downfall of President Toledo. Toledo has been pelted with garbage whenever he appears in public over the past few weeks, by citizens furious at the economic collapse. The arrest warrants caused such an uproar, that Toledo and several Cabinet ministers were forced to declare that the government did not initiate the arrest orders, while at the same time insisting they cannot interfere with the judicial process.

### **Warfare Explodes in Colombia on Eve of Presidential Election**

Warfare broke out in the streets of Medellin, Colombia's second-largest city, in the early morning hours of May 21, when a combined military-police force attempted to raid and shut down an illegal weapons factory operated by entrenched urban militias of the FARC and ELN narcoterrorists. The ensuing 12-hour gun battle spread into four neighborhoods in the densely populated northern area of the city, ultimately leading to nine deaths and 37 wounded.

The fighting occurred on the eve of Presidential elections, slated for May 26, and confirms military-intelligence estimates

that the new strategy of the FARC/ELN is to focus on creating maximum terror and chaos in Colombia's cities. This is the first time that an armed confrontation between state defense forces and the narcoterrorists has broken out in a major urban center, and it is noteworthy that this occurred in the home town of Presidential frontrunner Alvaro Uribe Velez, a former mayor of Medellin.

### **Argentina's Duhalde Grovels Before IMF at Madrid Summit**

"Argentina's future depends, in large part, on an agreement with the IMF," declared Spanish Prime Minister Jose Maria Aznar, in a statement which typified the discussion on Argentina at last weekend's summit in Madrid of heads of state from the European Union, Central and South America, and the Caribbean region. Aznar blustered: "This is why we have indicated and urged President Duhalde to adopt, *without delay* all the measures which will lead rapidly to an agreement" with the Fund. As for President Eduardo Duhalde, he slavishly promised that "by the first week of June," he will have done everything the IMF demanded, as conditionalities for an agreement. Hours before Duhalde departed for Madrid on May 16, the Argentine Congress finally approved the IMF-dictated changes to the bankruptcy law. He waved this "triumph" around in Madrid, as evidence of his government's "seriousness."

The "Madrid Commitment," signed during the first day of the summit, states that the group views with "satisfaction" everything Argentina has done to comply with the IMF.

Otherwise, ignoring the reality that free trade is dead, the summit mostly consisted of foolish blather about trade agreements and integration, that will never materialize. Only the Chilean government could boast of concluding a free-trade agreement with the EU, which is relatively meaningless. European leaders insisted there must be continued progress in Ibero-America toward "economic reforms," and "democracy"—Aznar warned "there must be no return to the outdated recipes of the past."

### **Duhalde Demands Argentine Cabinet, Congress Lick IMF Boots**

Upon his return from his European tour May 23, Argentine President Eduardo Duhalde informed his cabinet and the Congress that they were "moving too slowly" and not doing what the IMF wanted. Of the three conditionalities the Fund demands, only one has been met—the amendment to the bankruptcy law. Not all provinces have signed bilateral austerity agreements with the government, and the economic subversion law remains unmodified. He reportedly banged his fist on the table at a cabinet meeting and bellowed, "This isn't a game.... either we all move forward together, or start looking for someone else." He warned that "what comes later will be much worse than this. We're going to have to take unpleasant measures. If you're not willing to back me up," forget it.

The Wall Street vultures were pleased with Duhalde's ultimatum. "A little brinksmanship might be good right now to get things moving," said one fund manager gleefully. But attempts to ram through these measures will guarantee further social upheaval, and outright murder of the increasingly impoverished population. Duhalde is nonetheless said to be prepared to go ahead with this political suicide, reportedly confident that he'll get support, because there is no one standing in the wings to replace him.

A special session of Congress was called on May 23 to overturn the economic subversion law—as the IMF demanded, since many of their banker-friends have been arrested under its provisions. If that passes, the last remaining obstacle will be the provincial governors, who have resisted the IMF's budget-cutting demands. Thus far, Buenos Aires province has refused to sign the agreement. Gov. Felipe Sola says he won't agree to anything, unless the Federal government guarantees to provide the province the funds it needs—it is the most indebted of all Argentine provinces—especially to cover the cost of social programs.



## **Argentina Faces a Health-Care Holocaust, Thanks to IMF**

Disease and malnutrition are increasing dramatically in Argentina, thanks to IMF austerity. As a result of growing poverty and hunger, tuberculosis is on the rise. Former Health Minister Aldo Neri warns that "increasingly efficient medical tools are meaningless in the face of ever-increasing poverty and misery." A study done by the government of Buenos Aires province for the year 2000, the last year for which statistics are available, showed a "notable increase" in TB among youth, and people 65 or older, beginning particularly in the middle of the 1990s—the heyday of free-market lunacy. Of the 11,767 new cases reported in 2000, 45.2% of them were in the province of Buenos Aires.

A recent report on malnutrition published by *Pagina 12* has shaken the country. The daily reported on 1,320 confirmed cases of malnutrition among children, in the southern part of Tucuman province alone. Provincial Health Ministry official Dr. Sergio Vargas described the situation as a "social debacle," aggravated by lack of funding from the provincial government, and little help from the Federal government. Of 15,000 kilos of milk needed monthly, he said the province receives only 3,000 kilos from the Federal government.

The government's slavish obedience to the IMF will exacerbate this situation. The government statistical agency, INDEC, just reported that the price of the monthly market basket of essential food items *increased* by 42.4% in the first quarter of this year, and so far in May, has risen another 3.7%!

## **Uruguay Shaken by Anti-Austerity Protests as Blackouts Imposed**

New taxes imposed by President Jorge Batlle, which will raise the cost of potable water and public transportation, and take a bigger bite out of wages and pensions, have been completely rejected by a majority of the population. On the evening of May 19, a ten-minute long "cacerolazo" (pots and pans demonstration) occurred simultaneously in the capital of Montevideo, and other parts of the country, accompanied by an electricity blackout. Uruguay is in a desperate situation, affected by the Argentine crisis in particular—it is an offshore banking haven for Argentine deposits—but also reeling from the global financial meltdown. Its debt has been downgraded by S&P and Moody's, and last week, its "country risk" rate reached 11.5%, unprecedented for this small country. The protest called by the Inter-Union Workers' Plenary PIT-CNT, is one of several planned to denounce ten new measures, that include a 20% tax on wages and pensions. This is the second such "adjustment" made this year by free-marketeer Batlle.

## **The End of NAFTA? Mexico Now a 'Model' of Free-Trade Collapse**

Mexico's exports fell by 5%, and its imports, 4%, in 2001 over 2000, a more severe decline than that experienced by other Ibero-American countries. This is partially explained by the fact that Mexico's trade grew more rapidly than the rest of the region over the last ten years, and so, it is falling that much faster than the others as the world economy implodes. And when the crisis hit, it hit hard: Mexico's trade still grew in 2000, by 12%; even in the first half of 2001, it grew by 6%. Then the collapse hit: down 5.6% by the end of 2001, and down 6.7% in first quarter of 2002.

Given that Mexico's economy, under NAFTA, was distorted to channel all resources into export-related activity, the effect is devastating. Industrial production as a whole has fallen by 27% from its high point, in August 2000. In the first quarter of 2002, industrial production fell by 7.6%., on top of the 4.7% contraction in the 4th quarter of 2001. The fall in overall industrial production in March 2002 (7.6% less than the same month a year before) was the greatest fall since October 1995—remember that 1995 was for Mexico, what 2001 was for Argentina—and the 14th month in a row of contraction, the longest period of consecutive decline since 1982 in Mexico.

The level of collapse of maquiladora production—which exists solely as an appendage of the NAFTA free-trade system—is astounding: a 19.1% decrease in the first quarter of 2002, after 19.6% in the 4th quarter of 2001. March 2002 figures were



20.4% under that of the year before.

First came the reduction in the purchase orders for the maquiladoras. Then, the cancellation of those orders. Now, the maquiladoras themselves are shutting down: whereas there were 3,700 maquiladoras registered in the country at the close of 2000, at the end of 2001, there were 3,540. At the end of April: 3,316. Employment in the sector fell by 17% between 2000 and 2001: from 1.3 million to 1.08 million.

In a state of profound delusion, maquiladora "industry" analysts are discussing two strategies to counter their demise: Some say that the "high cost of Mexican labor and services" must be cut, so as to compete with Chinese or Central American labor. And others, say that Mexico must concentrate on producing "high-tech" maquila products geared to the U.S. defense build-up.

## **RUSSIA AND EASTERN EUROPE NEWS DIGEST**

### **Putin Addresses Russian Leadership on Eve of Bush Summit**

On the eve of his summit with President George W. Bush, who arrived in Moscow May 23, Russian President Vladimir Putin spoke to an expanded session of the Presidium of the State Council, presenting to a number of Russian regional leaders his vision of Russian foreign policy. In his remarks, Putin made sure to locate the summit with Bush as just one of a number of important events on the diplomatic agenda this month and next: the annual Russia-European Union summit, the summit of the Shanghai Cooperation Organization, and the NATO-Russia summit in Rome. Putin emphasized that Russian diplomacy must look both West and East. He also said that "the anti-terror operation in Afghanistan has completed its most acute phase," leading now to the need for "a new quality in international cooperation."

Putin stated that the number-one goal of Russia's foreign-policy strategy, is "to create optimal conditions for the development of the Russian Federation's economy." This theme, Putin also took up on May 23 with the leadership of the Russian Union of Industrialists and Entrepreneurs. In this context, he referred to the very modest economic component of the U.S.-Russian summit agenda—Russia's push to be rated (by the United States) as "a country with a market economy."

But, Putin also departed from his usual practice of not responding tit-for-tat to diplomatic and undiplomatic provocations, to regret that "unfortunately, on the eve of this visit the U.S. Congress postponed action on the Jackson-Vanik amendment" (which linked normal trade relations between the USSR and the USA, to Soviet Jewish emigration). Putin called this "a somewhat peculiar decision," insofar as the Jackson-Vanik amendment had to do with the freedom to emigrate, but is now tied up with commerce in chicken legs. Putin said this showed "the tension of competition on international markets." He revealed that a few days ago he sent Bush a memorandum on the steel industry, to prepare for discussing Russian steel exports to the United States, which were affected by the recent tariff.

### **Another Voice for a National Policy of Economic Reconstruction**

Indicating that a huge debate has broken out in Russia, on the future of the Russian national economy, *Trud* recently published a commentary by Georgi Boos, the former Minister of Taxation in the Primakov government, which echoed similar statements by leading economist and Duma member Sergei Glazyev (see below, for more on Glazyev).

Boos begins by saying that, in order to meet Putin's demand that economic growth reach 8-10%, the economy must adopt "a different rhythm," adding, "it is wrong to think that we cannot live in that rhythm." But, Russia needs a different economic policy to achieve this.

Today, Russia depends on raw material exports, like oil, Boos says, but, "exports alone will not save Russia's economy." The market of resources is unstable and tends to shrink, he adds, and states: "So, we have no other way than to expand the domestic consumer market and thus to stimulate national economic growth." The way to do this, is, "accumulating an investment capability of the national economy through a correct taxation, and monetary and crediting policy. And we have to stimulate the growth of the real incomes of the population."

Where are these investments going to come from?, asks Boos. It is a delusion to think they will come from abroad, he says; they must come from within, and they will, if the authorities "provide conditions in which the banks crediting what we call the real sector get guarantees from the government." Boos then points to the catastrophic demographic crisis in Russia: losing 800,000 people each year, "mainly because of the disastrous social and economic conditions of the greater part of the population." Boos concludes: "Unless we make an economic breakthrough, the population decrease will become irreversible."

### **Foreign Minister Demands: What is U.S. Doing in Central Asia?**

Russian Foreign Minister Igor Ivanov warned, that at the Bush-Putin summit, Russia "will demand from the United States, transparency in the transportation and presence of a foreign military contingent in Central Asia," according to Itar-Tass May 21. Like President Putin, Ivanov said that the Afghanistan operation was essentially done: "We have almost done away with the threat to Russia and other CIS member countries through the defeat of terrorists on the territory of Afghanistan." Now, there should be multilateral security measures for Central Asia, involving the recently upgraded CIS Collective Security Treaty, as well as the Shanghai Cooperation Organization."

### **Primakov Builds Up His Team as 'Shadow Government'**

Former Prime Minister Yevgeni Primakov last week named Sergei Glazyev as head of a Committee on Foreign Trade, under the Russian Chamber of Commerce and Industry, which he heads. Primakov expanded his team in other ways, leading some to talk about it as if it were a shadow cabinet. according to Izvestia May 17. He appointed Alexander Korzhakov, former President Boris Yeltsin's chief of security in 1993-1996 (until dumped during the ascendancy of Anatoli Chubais), as head of the Security Committee of the same Chamber of Commerce and Industry. Korzhakov, like Glazyev, is an elected member of the State Duma. Igor Yurgens, former chairman of the Russian Association of Insurers, will head the Finance Committee of Primakov's organization.

### **Glazyev To Run for Governor of Krasnoyarsk Territory?**

Russian economist Sergei Glazyev held a press conference May 21—his first after being named head of a special committee on foreign trade—at the Russian Chamber of Commerce headed by former Prime Minister Yevgeni Primakov. Although a transcript of the event is not available at this writing, his reply to a question from NTV, about recent rumors that he will run for Governor of Krasnoyarsk Territory, is one point posted on his website. The previous Governor, Alexander Lebed, formerly a close political associate of Glazyev, was killed in a helicopter crash April 28.

Glazyev left the door wide open for his candidacy, saying: "The National-Patriotic forces will most likely take part in the Krasnoyarsk gubernatorial elections, but I am not yet prepared to say if I shall be a candidate. The residents of Krasnoyarsk Territory should have something to say about this first, and not only the so-called 'left' wing of the electorate," said Glazyev. He stressed that the economic situation in Krasnoyarsk is very bad, elaborating the national significance of the situation there: "This resource-endowed region, developments in which shape Russia as a whole, is currently in 88th place [among constituent territories of the Federation], second from the last, in standard of living. A program is being developed for sustained economic growth and raising the standard of living in Krasnoyarsk Territory. Soon this program will be presented for public consideration. At that point, a decision will be made on a candidate from the National-Patriotic forces in

the Sept. 8 election, as well as on my personal participation in those elections."

While candidates could officially announce, beginning now, they have until early August to register, by submitting 20,000 signatures. The National-Patriotic bloc is the Communist Party-led electoral coalition, on whose slate Glazyev was elected to the State Duma, although he is not a Communist Party member. Krasnoyarsk Territory, in central Siberia, stretches from the southern steppes to the Arctic Ocean. It is home to most of Russia's aluminum industry, built near the hydroelectric plants on the huge Angara-Yenisei River system, and the nickel and platinum industry city of Norilsk.

## **Asia News Digest**

### **Iran, Pakistan, Afghanistan Sign Trilateral Agreement**

Iran, Pakistan, and Afghanistan have signed a Memorandum of Understanding on trilateral cooperation to work out ways of increasing investments in their economies, and improving access to regional markets. The Memorandum is to probe ways to enhance cooperation by and among their private sectors, facilitate trade transactions, and coordinate regional strategies to expand trilateral economic cooperation.

However, such vital cooperation underscores the problems represented by the Bush Administration, which released a report this week targetting Iran (which aided the U.S. against the Taliban) as the "most active" in states which are sponsoring terrorism. Of course, the United States has made the Afghanistan/Pakistan operations the front line in its war against al-Qaeda, and has been unable to pull together an economic solution for Afghanistan. Now, Washington's policy will tend to disrupt the collaboration among neighbors.

### **Academics in Australia Call for Cultural/Research Boycott Of Israel**

Two Australian academics have initiated a call for "urgent international action to stop the massacres perpetrated against the Palestinian people." John Docker, a Jewish Australian author and fellow of the Australian National University's humanities research center, and Ghassan Hage, a Lebanese Christian Australian of Sydney University's anthropology department, initiated the call.

The Docker/Hage calls begins:

"Despite widespread international condemnation for its policy of violent repression against the Palestinian people in the Occupied Territories, the Israeli Government appears impervious to moral appeals from world leaders. It is clear that while the Palestinians are rightly requested to rein in their extremists, the Israelis have elected their extremists to power. The slow, dehumanising and relentless colonisation of the West Bank and Gaza that has been continuing unabated in recent years has taken a murderous turn of immense proportions. How long are we, the citizens of a Western democracy, going to accept the silence of our Government in the face of the rampages of the Israeli army in the West Bank?...

"[W]e call for a boycott of research and cultural links with Israel. We urge our colleagues not to attend conferences in Israel; to pressure our universities to suspend any existing exchange or linkage arrangements; and to refuse to distribute scholarship and academic position information...."

Despite a pro-Sharon "counter-call," and statements by the Israeli Embassy in Canberra calling the boycott campaign "ridiculous" and "anti-democratic," more than 90 Australian academics have signed to support the boycott.

## **Democratic Republic of East Timor Becomes the Newest Nation**

Shortly past midnight on May 20, East Timor became the first new nation of the 21st Century, following four centuries of Portuguese colonial rule, and two decades of occupation by Indonesia.

Overcoming the political turmoil and pessimism which followed the August 1999 referendum on East Timor's status, President Xanana Gusmao has set a remarkable example, and urged compassion and reconciliation to his 800,000-person constituency, a message scarcely noted in leading U.S. dailies. In his inauguration speech, President Gusmao paid tribute to former Indonesian President B.J. Habibie, who, in the end, allowed the referendum to go forward, to Australian Prime Minister John Howard, who claimed credit for the idea, and to Bill Clinton, who was U.S. President at the time. But, his most important message was to Indonesian President Megawati Sukarnoputri, who joined the celebration during a four-hour visit to the new nation.

At his inauguration, as President of the new nation, Gusmao proposed: "Today, we all agree that the strains in our dealings were a result of an historical mistake, which now belongs to history and to the past. And this past, because it already has a rightful place in history, should not continue to strain our spirits or to hamper our attitudes and conduct. Together, Mrs. President [Megawati], the two peoples should contribute to the construction of a better world."

## **Japanese Give Nod to ASEAN+3 Secretariat in Kuala Lumpur**

Japan has agreed that the secretariat for the ASEAN+3 dialogues be based in Malaysia, Prime Minister Mahathir Mohamad announced May 21, following a meeting with Japanese Prime Minister Junichiro Koizumi, in the latter's office at Sori Kantei.

Dr. Mahathir expressed confidence that the ASEAN+3 would eventually become the East Asian Economic Group (EAEG) he proposed years ago. China had expressed support for the EAEG from the very start, while South Korea is now very bullish on the ASEAN+3, as it was President Kim Dae-jung who proposed that it be set up as a formal move towards EAEG, he told Malaysian reporters on May 22.

## **On Agricultural Subsidies: China Wants To Copy U.S.**

It's a free-trade paradox: If the United States is legislating large-scale subsidies for agriculture, why shouldn't China do the same? asked Chinese Foreign Trade and Economic Cooperation Vice Minister Long Yongtu in a speech delivered at a Washington economic conference May 21.

"After the U.S. Congress adopted such a bill [protecting U.S. agriculture], why can we not do similar things?" asked Long Yongtu.

China's agreement to make concessions on its own support for internal agriculture, was the most controversial issue during the years of negotiations on World Trade Organization (WTO) entry, which Long himself led. The U.S. farm bill will make the situation even more difficult for Chinese farmers, already hit very hard by imports of cheap U.S. grain and other imports. Beijing may have to intervene.

## **Aghan War Produces Big Headaches for British Forces**

The U.S. and allied forces in Afghanistan have launched operations under the umbrella of Operation Enduring Freedom, such as Operation Mountain Lion, Operation Snipe, Operation Condor, and Operation Anaconda. However, as even the

horrors which have made their way into the press show, one operation after another is turning out to be a farce. Should Operation Enduring Freedom be renamed Operation Enduring Farce?

Take the case of Brigadier Roger Lane, the British officer who led the commandos involved in Operation Snipe. Lane claimed to have discovered in the caves in eastern Afghanistan 22 truckloads of rockets, rocket-propelled grenades, and other arms and ammunition belonging to the Taliban and al-Qaeda. After he destroyed them, it was found out that they belonged to the Pushtun supporters of the Afghan Interim Chief, Hamid Karzai.

Operation Condor involved a joint force of Australian and British commandos. Following a reported ambush of the Australian commandos supposedly by a large number of al-Qaeda members, again in eastern Afghanistan, the British rushed to the rescue, and Lane claimed a major battle victory after a pitched fight which killed 10 "al-Qaeda" members. Then the British government found out that the British and the Australian commandos were fighting not the al-Qaeda, but a group of Afghan expatriates from the West whom the CIA's covert action division had recruited, trained, and infiltrated into Eastern Afghanistan.

The British Government has subsequently transferred Brigadier Roger Lane out of Afghanistan.

## AFRICA NEWS DIGEST

### Nigerian Oil and Gas Reserves Targetted in U.S. Strategic Shift

An indication that the U.S. is making a strategic shift toward procurement of oil and gas supplies from West Africa was the recent announcement that two U.S. oil companies have stepped up plans to build liquefied natural gas (LNG) plants in Nigeria. Sources at the Ministry of Petroleum Resources told the Nigerian daily *This Day*, that Chevron-Texaco and Phillips Petroleum, as well as Norway's state-oil firm, Statoil, have submitted proposals for the construction of the new LNG plants in Nigeria's Niger Delta area. Chevron Texaco is handling the West Niger Delta LNG project, while Phillips, in alliance with the Italian firm Agip, is working on the Brass LNG project. The Special Assistant to the President on Petroleum Matters, engineer Funso Kupolokun, who confirmed ongoing discussions on the three new LNG projects, said Nigeria was poised to begin to make "as much money from gas as we are making from oil."

The most recent estimate of Nigeria's hydrocarbon resources, found that gas resources will last for the next 75 years, based on the current rate of depletion. The current projection is that crude-oil reserves will last 34 years.

On oil, the Nigerian National Petroleum Corporation (NNPC) signed a joint operator agreement May 21 with three multinational oil companies headquartered in the United States. The Group Managing Director of the NNPC, Jackson Gaius-Obaseka, said that the agreement was not regular government business, but an international venture, driven by a strong commitment to boost Nigeria's crude oil production. "What we are doing today is a partnership," he explained, adding, "We are going for the first time as contractors to work on the block with the Americans." David Johnson, who signed for Phillips operations, described the event as a "turning point" in Nigeria's history of oil exploration activities.

### EIR Proved Right in Expose of Fake Sudan 'Anti-Slavery' Organizations

"Attacks on Sudan Slave Trade Exposed as Fraud," was the headline of a July 16, 1999 *EIR* article, exposing the so-called "slave trade," and "mass slave redemptions" as a British-directed hoax, used to whip up support for rebel leader John Garang of the Sudanese People's Liberation Army. Now, almost three years later, the media, including many who had trumpeted the original "slavery" story—the *Irish Times*, *London Independent*, *Washington Post*, and *International Herald Tribune*—as well as CBS-TV's "60 Minutes," and the magazine *Christianity Today*, have dug into "the great slave scam,"



as it was termed by the *Irish Times*.

"These articles are the culmination of deep, long-standing concerns about the activities of several organizations involved in what has become a Western-financed 'redemption' industry in parts of Sudan," writes author David Hoile, from Media Monitors. "The claims by organizations and people such as John Eibner and the Swiss-based Christian Solidarity International (CSI) and British Baroness Caroline Cox's Christian Solidarity Worldwide (CSW) to have redeemed more than 65,000 Sudanese slaves have also been called into question."

As explained in a Feb. 23, 2002 article by the *Irish Times*, which started the investigations going: "According to aid workers, missionaries, and even the rebel movement that facilitates it, slave redemption in Sudan is often an elaborate scam. In reality, many of the 'slaves' are fakes. Rebel officials round up local villagers to pose for the cameras. They recruit fake slavers—a light skinned soldier, or a passing trader, to 'sell' them. The children are coached in stories of abduction and abuse for when the redeemer, or a journalist, asks questions. Interpreters may be instructed to twist their answers. The money, however, is very real. CSI can spend more than \$300,000 during a week of redemptions at various bush locations. After their plane takes off, the profits are divvied up—a small cut to the 'slaves' and the 'trader', but the lion's share to local administrators and SPLA figures."

Continues the Irish daily: "The warning signs have been there for years ... the numbers didn't add up. And yet no questions were asked. The dollars rolled in and the redumptions continued." The *Irish Times* questioned the involvement of Baroness Cox and CSW, as organizations who supposedly redeemed 3,000 "slaves."

In an open letter in 2000, senior SPLA commander Aleu Ayieny Aleu stated that "slave redemption" had become a "racket of mafia dimensions." He also revealed, as an example, that one of his lighter-skinned relatives, SPLA Captain Akec Tong Aleu, had been "forced several times to [pose] as an Arab and simulate the sale of free children to CSI on camera." Aleu declared: "It was a hoax. This thing has been going on for no less than six years."

## **HIV Scandal: 'South Africa's Jails of Death'**

About 6,000 of the 10,000 prisoners released monthly from South African jails are HIV-positive, according to Judge Johannes Fagan, the inspecting judge of prisons. He gave the statistics while briefing the National Assembly's Correctional Services Committee May 21. He stressed that it was essential for the general fight against HIV/AIDS, that infected inmates receive proper treatment. He noted that overcrowding remained the root cause of health problems and the spread of contagious diseases, including HIV/AIDS and tuberculosis. He noted that the number of "natural" deaths was rapidly increasing, and that almost all of these—1,169 last year—were AIDS-related. Conditions in overcrowded prisons were "not conducive to [the] longevity of those who are HIV-positive," he said.

Fagan noted it was not only sentenced prisoners who are dying; prisoners awaiting trial are also dying. Of the about 175,000 inmates in South African prisons, some 55,000 were awaiting trial, many for years. Forty percent of those awaiting trial, more than 20,000, were in prison "only because of poverty," as they could not afford to pay even the very low bail amounts set for them. "This is crazy," Fagan told the parliamentary committee.

## **Southern Africa's Ruling Liberation Parties Holding Summit**

The Zimbabwe newspaper *The Herald* reported May 22 that liberation parties, which run the governments in southern African countries, have agreed to hold a summit in Victoria Falls aimed at enhancing unity, "in the face of orchestrated interference in domestic affairs by foreign imperial forces." Parties that are to attend the meeting include Frelimo of Mozambique, Swapo of Namibia, MPLA of Angola, Zanu-PF of Zimbabwe, and the African National Congress of South Africa. Other parties that have been invited, include the Botswana Democratic Party and the Movement for Multi-Party



Democracy led by President Levy Mwanawasa in Zambia.

Although the parties have yet to set a date for the summit, Zimbabwe's ZANU-PF national chairman John Nkomo said May 21 that consultations were at an advanced stage, and that the meeting would probably be held in the next few months. Nkomo said ruling liberation parties have asked Zimbabwe to host the summit, which, among other issues, would discuss land redistribution, the history and duty of liberation movements in southern Africa, how to deal with foreign interference, and the effects of globalization and its impact on the revolutionary parties.

"We do believe that there is need for a regional strategy in particular as it concerns revolutionary parties in government especially those parties that fought to dislodge colonialism in their countries," said Nkomo. He added that preliminary meetings to examine the threat of the new wave of neocolonialism had already been held with several ruling liberation parties in the region. These meetings agreed that there was need for a systematic coordination for dealing with neocolonialism. He said the imperial forces were targetting liberation parties, pointing to the British-sponsored opposition Movement for Democratic Change in Zimbabwe as exemplary.

## This Week in History

### May 27-June 2, 1868

This week we shift a bit in time, in order to commemorate the founding of the Memorial Day holiday, now celebrated on the nearest Monday, but originally set for May 30, 1868. While many think of this holiday as established by President Woodrow Wilson after the First World War, Wilson's contribution was essentially to expand the scope of the holiday beyond the Civil War dead, to all those who have given their lives in war for our nation.

Memorial Day was officially proclaimed for May 30, 1868, on May 5 of that year, by General John Logan, the national commander of the Grand Army of the Republic. While the Grand Army was an organization of veterans of the Civil War, not the official army, it took hold. General Logan's objective, as seen in his proclamation, which we reprint here, was to honor those who had saved the Union, but from the beginning, flowers were strewn on the graves of Union and Confederate soldiers at Arlington National Cemetery. Following the assassination of President Lincoln, the nation lacked that national leader who could have pulled together a reconciliation policy, politically and economically, that would heal the nation, and thus the period in which this holiday was proclaimed, was rife with unresolved tension from the Civil War.

The full declaration, called General Orders No. 11, ran as follows:

"I. The 30th day of May, 1868, is designated for the purpose of strewing with flowers or otherwise deorating the graves of comrades who died in defense of their country during the late rebellion, and whose bodies now lie in almost every city, village, and hamlet churchyard in the land. In this observance. no form of ceremony is prescribed, but posts and comrades will, in their own way, arrange such fitting serves and testimonials of respect as circumstances may permit.

"We are organized, comrades, as our regulations tell us, for the purpose among other things, "of preserving and strengthening those kind and fraternal feelings which have bound together the soldiers, sailors, and marines who united to suppress the late rebellion." What can aid more to assure this result than cherishing tenderly the memory of our heroic dead, who made their breasts a barricade between our country and its foes? Their soldier lives were the reveille of freedom to a race in chains, and their deaths the tattoo of rebellious tyranny in arms. We should guard their graves with sacred vigilance.

"All that the consecrated wealth and taste of the nation can add to their adornment and security is but a fitting tribute to the memory of her slain defenders. Let no wanton foot tread rudely on such hallowed grounds. Let pleasant paths invite the

coming and going of reverent visitors and fond mourners. Let no vandalism of avarice or neglect, no ravages of time testify to the present or to the coming generations that we have forgotten as a people the cost of a free and undivided republic.

"If our eyes grow dull, other hands slack, and other hearts cold in the solemn trust, ours shall keep it well as long as the light and warmth of life remain to us.

"Let us, then, at the time appointed, gather around their sacred remains and garland the passionless mounds above them with the choicest flowers of springtime; let us raise above them the dear old flag they saved from dishonor; let us, in this solemn presence, renew our pledges to aid and assist those whom they have left among us a sacred charge upon a nation's gratitude, the soldier's and sailor's widow and orphan.

"II. It is the purpose of the Commander-in-Chief to inaugurate this observance with the hope that it will be kept up from year to year, while a survivor of the war remains to honor the memory of his departed comrades. He earnestly desires the public press to lend its friendly aid in bringing to the notice of comrades in all parts of the country in time for simultaneous compliance therewith.

"III. Department commanders will use efforts to make this order effective."

Today, when the noble purposes of our military are so much under attack, by those like Samuel Huntington, who promote a Waffen-SS-style of soldiery more suited to empire, than the republic, it is all the more important that we recall the origins, and purpose, of Memorial Day. In this respect, the words of Lyndon LaRouche, in his announcement of a Memorial Day webcast May 28, 2002, provide an appropriate summons:

"After the close of the first of the two world wars of the last century, our republic committed itself to remember in perpetuity those who had fallen in battles. Let us remember them today.

"Thus, when I returned from the last world war, I passed the house of a boyhood friend, Leon, the sole companion of the aging grandparents who had raised him. As I came up the sidewalk to a place by the front windows of that house, I saw a gold star in the window. I shall never forget that awesome moment.

"Let us therefore pledge, as President Abraham Lincoln did, that if government must send men to die in war, let the war end as quickly as possible, and let the leaders of our nation be assured in advance, that the citizen's sacrifice not be in vain. Let us pledge as much wisdom as we are capable of calling forth today, to that end."

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