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## THIS WEEK YOU NEED TO KNOW

### O'Neill's Hooverville Trolley

by Lyndon H. LaRouche, Jr.

**Saturday, June 22, 2002**

Those old enough to remember, may recall the famous cartoon series, "The Toonerville Trolley." Treasury Secretary Paul O'Neill should remember how President Herbert Hoover went down to disgrace in the matter of the continuing Great Depression of 1929-1933. Hoover was, personally, a nice guy. I am informed that O'Neill is, too. The fact remains, that he is a lousy economist and apparently has a poor memory for crucial facts of U.S. history.

Just so you don't forget the connections, think of the Bush Administration as "Paul O'Neill's Hooverville Trolley."

It was not the 1929 crash that ruined Hoover's Presidency; it was his repeatedly making exactly the same politically fatal mistake which the Bush Administration's O'Neill and others are making right now. The people blamed Hoover's predecessors, Calvin Coolidge and Andrew Mellon, for the 1929 crash; the suffering citizenry came to hate Hoover bitterly for the latter's promises of a non-existent recovery.

O'Neill's statement, that the present financial crisis of Brazil is "an intellectual fiction," is cooking that Administration in the same pot as Herbert Hoover's "chicken in every pot." The difference between the early 1930s and now, is that the Democratic Party, so far, refuses to play "Franklin Roosevelt" to Secretary O'Neill's replay of "Hoover."

In fact, I am the only notable leading figure in the world today, who is addressing the need for steps to bring about an actual economic recovery in the world today. There is a growing number of persons who are interested in hearing what I have to say, but no leading figure outside my immediate circles who is presently prepared to tell the plain truth about the presently onrushing, global economic breakdown crisis of the present world monetary-financial system.

To understand why more and more leading and other figures, such as Secretary O'Neill, repeatedly say the silliest things about the great issues of this time, consider that, despite the fact that they now know of the proof of my strategic assessments, they are unwilling to face the reality which I represent. In fact, the most frequent excuse for pessimism uttered, to my face, by leading circles in various parts of the world, is that no one in the U.S. government or U.S. party leaderships has the brains to support my proposals.

Anyone who thinks that the U.S. population is "not ready to deal with LaRouche," is being no less stupid in their behavior than poor old Paul "I'm in a state of denial" O'Neill. For Democrats, that goes double. The only truthful ones are those who say, "I would rather go straight to Hell tonight, than be caught saying anything truthful about LaRouche."

## O'Neill in Never-Never Land

Brazil's problems are political, not economic, so no more IMF aid should be given them, says Paul O'Neill. The U.S. Treasury Secretary told Bloomberg wire service on June 21 that the only reason Brazil is running into financial problems, is that investors are "nervous about how the election is going to come out. I don't think there's an economic antidote for that." Therefore, the U.S. would oppose the IMF extending any more loans to Brazil, he said. "The situation there is driven by politics. It's not driven by economic conditions."

This was pronounced by the same man who a year ago declared that Argentina was having problems, because they like it that way.

### Reality Check: Financial Carnage in Brazil

A serious crash occurred on Thursday, June 20, as the real lost 3.4% of its value, closing at 2.8015 (last seen on Sept. 21, 2001). The country's main stock market, the Bovespa, fell by 5.1%. The benchmark C-bond—widely traded internationally—fell by 9.4%. Its bonds which mature in 2014 fell to 58.5 cents on the dollar, with yields at 20.3%—the lowest level since the January 1999 devaluation. All this was blamed on the fact that Moodys and Fitch rating agencies downgraded Brazil's debt rating that day.

The bloodbath continued today. The real lost another 1.2%, closing the week at 2.835; the Bovespa, another 5%. The 2014 bond fell a bit further (to 56.9 cents and yields of 21.07%)—its lowest levels since the middle of the great Mexico blowout in March 1995.

Now being debated, is not whether, but how soon, Brazil will default. Its country-risk hit just under 1600 on June 20 (no word yet on what happened on Friday), placing Brazil, with its \$500 billion in foreign obligations, second worst only to Argentina worldwide. That means the "market" estimate is that Brazil would have to pay over 21% were it to issue bonds. At these rates, Brazil's government and companies are de facto shut out of the world financial markets.

JP Morgan issued a report saying the country-risk is so high because "there is fear of a default in six months." Former Brazilian Central Bank president Alfonso Celso Pastore thinks that time estimate is too long. According to *Clarín*, he says "the default could occur in two months," the same period of time given by Francisco Petros, head of Brazil's Capital Markets Association.

## ECONOMICS NEWS DIGEST

### World Hunger: A 'Side Issue'?

Some 800 million people worldwide are chronically malnourished, and every four seconds, a human being dies of hunger. Yet, to the Group of Seven (the U.S., Britain, Canada, Germany, Italy, France, Japan), world hunger appears as almost irrelevant, as became blatantly clear at the United Nations' World Food Summit last week in Rome. Only two developed countries—Italy and Spain—sent their heads of states. The United States, Germany, France, Denmark, Canada, and others sent delegations led by agriculture ministers rather than Presidents or Prime Ministers. Britain did not even send a minister, just some higher-level bureaucrat.

Under these circumstances, it is not surprising that the G-7 set only a "goal" of reducing the number of hungry people by

half over the next 13 years! When Diouf appealed to the G-7 to increase their development aid, to grant debt moratoria to the poorest countries, and to open their markets for agricultural imports from the developing sector, the world's richest nations answered with accusations: The FAO under Diouf, they said, was meddling in areas that were the business of the "international financial institutions."

As the summit ended on June 13, Diouf said, "We have a good indication of the political priority that is given to the tragedy of hunger," adding, "the right to food comes before anything else." Walter Veltroni, the mayor of Rome, "said it was absurd that Western leaders found time for G-8 summits but not those aimed at easing global poverty and inequality," according to the *Mail & Guardian* of Johannesburg June 14.

Only Italian Prime Minister Silvio Berlusconi acknowledged that hunger was a problem as pressing as fighting international terrorism. In fact, Italy and Mozambique signed an agreement in Rome June 11, during the summit, formalizing the cancellation of Mozambique's \$500-million debt to Italy.

### **Bundesbank Worried About U.S. Dollar Decline**

A sudden drop in the high capital inflows to the United States could cause a further decline in the dollar, the Germany Bundesbank warned in its June monthly report, released June 17. The German central bank noted: "The United States' high net capital imports—which balance out weak savings and investment, and which feed consumption and growth and, therefore, a correspondingly high current-account deficit—could quickly fall back if foreign creditors and investors judge the U.S.'s future economic prospects less favorably than they have up to now. The U.S. dollar then would continue to decline in value." In view of "recent economic weakness" in the U.S., the Bundesbank sees the U.S. dollar "clearly above a fair exchange-rate level."

### **Japan's Takenaka Warns of 'Potential Risks' to Economy**

"We are extremely aware of the potential risks" posed by financial markets to the economy, stated Japan's Economics Minister Heizo Takenaka at a press conference in Tokyo on June 17. According to a Dow Jones wire, he said that economies are seldom struck by crises where authorities lose control of the situation, but financial markets are susceptible to falling into uncontrollable situations.

In contrast to the "global recovery" nonsense, which Group of Seven finance ministers and central bankers expressed in their joint communiqué from the Halifax weekend, Japan's Finance Minister Masajuro Shiokawa noted on June 16 that "the softening stock market in the United States is a source of concern."

### **The Wall Street Police Blotter**

*Reading the business pages of any major U.S. newspaper has become like reading Wall Street's Police Blotter. But this is not merely corporate crime and corruption, it is systemic fraud that was used to create and maintain the bubble. Here is the weekly roundup:*

\* **Archer Daniels Midland and Cargil** will go to trial over claims they colluded to fix prices on high-fructose corn syrup, a sweetener used in soft drinks, candy, and baked goods, the Seventh U.S. District Court of Appeals ruled June 18. "There is sufficient admissible evidence in support of the hypothesis of a price-fixing conspiracy," the court said. A lawsuit filed in 1995 against the giants of the agriculture cartel, had been dismissed.

\* **Tyco International** sued two ex-officials for receiving \$55 million in unapproved compensation. The conglomerate

accused former legal counsel **Mark Belnick** of soliciting and accepting \$20 million in cash and stock bonuses in 2000 from ex-CEO **Dennis Kozlowski**, without the approval of the board of directors; and of receiving \$14.9 million in no-interest loans under a program meant to cover employee moving expenses—with more than \$10 million used to buy a vacation home in Utah. The Federal lawsuit filed in Manhattan also alleges that Belnick falsified records so that his pay and bonuses would not be disclosed to the SEC.

As we reported last week, **Kozlowski** was indicted June 4, one day after being forced to resign as chairman and CEO of **Tyco**, for evading New York sales taxes on a set of paintings he bought with \$13.1 million of company money, and for then trying to write the purchase off as a business expense. **Kozlowski** now faces up to four years in prison for avoiding \$1 million in taxes and falsifying business records, according to Manhattan District Attorney Robert Morgenthau.

In a separate lawsuit, former director **Frank Walsh** is accused of arranging with **Kozlowski** an unauthorized \$20-million bonus from **Tyco** in 2001, as a "finder's fee" after the company bought **CIT Group** (a financial services company), hiding the payment from his fellow directors, and refusing to return it earlier this year. **Kozlowski** paid **Walsh** \$10 million and donated \$10 million to the **Community Foundation of New Jersey**, controlled by **Walsh**.

\* **Martha Stewart** was cited by Congressional investigators for the "troubling inconsistencies" between her version of the timing of her sale of **ImClone** shares and that of her stockbroker. The domestic diva has also failed to provide documents requested a week ago by the **House Energy and Commerce Committee**, which wants to look at her phone records and brokerage documents dealing with the sale of nearly 4,000 shares of **ImClone** stock on Dec. 27, the day before **ImClone** announced that the **Food and Drug Administration** had rejected its bid for approval of the cancer drug **Erbix**. **Peter Bacanovic**, the **Merrill Lynch** broker who handled the sale, said **Stewart** agreed in mid-December to sell the stock if the price fell below \$60 per share, while **Stewart** claims the deal was reached in November.

\* **Bristol-Myers Squibb** is under pressure to find a merger partner or a buyout, after a Congressional hearing last week raised questions about the drug maker's judgment in becoming a partner of **ImClone Systems**. The **House Energy and Commerce Committee's** oversight panel concluded that the company showed no evidence it had obtained a crucial study evaluating **ImClone's** cancer drug **Erbix**, before agreeing in September to pay up to \$2 billion for a stake in **ImClone** and **Erbix**.

\* **Enron** executives and energy traders—about 100 of them—received more than \$300 million in cash payments, and more than \$400 million in stock options, before the firm filed for bankruptcy. A majority were in the form of retention bonuses to employees of units whose profitability was faked, according to documents filed on June 17 in bankruptcy court.

\* **Micron Technology** and **Samsung Electronics** have both been subpoenaed by the **Justice Department** to see whether the two semiconductor-makers manipulated computer chip prices, and sold products at below-market prices to drive out smaller rivals. Regulators have also contacted **Infineon Technologies**, part of the trio that controls 60% of chip sales, which have collapsed by more than 60%.

\* **Rambus**, a memory-chip designer, has been charged by the **Federal Trade Commission** with tricking chip-makers into adopting technologies for which it held or was seeking patents.

## Gloomy Forecasts Continue To Cloud Tech Sector

A number of leading tech firms issued profit warnings, shaking financial markets, as it became clear that there is no recovery in the "New Economy":

\* **Advanced Micro Devices**, the number-two chip-maker after **Intel**, warned that sales would be 25% below forecast, causing a "substantial" operating loss, in the second quarter. Shares fell 17%.

\* **Apple Computer** announced sales will be 9% below projections, and profit will be 10% lower than expected, for the third quarter, due to "anemic" demand. Shares fell 15%.

\* **CIENA**, a fiber-optics company, warned that third-quarter results would be "down meaningfully."

And, as Triple Witching Day Approached...

Tech-sector earnings reports continued to reflect the reality of the global meltdown:

\* **Oracle**, the world's second-largest software company, said its fiscal fourth-quarter net income fell 23% from a year ago, to \$655.9 million, as sales fell 16% to \$2.77 billion—for the fifth quarter in a row.

\* **IBM** shares fell 1.7% after **Morgan Stanley** lowered its 2002 and 2003 earnings estimates on fears that companies will continue to curb spending on technology hardware.

\* **Peregrine Systems** will eliminate 48% of its workforce, or about 1,400 jobs, and close offices "in the next few weeks," as the business-software maker is being investigated by the Securities and Exchange Commission.

### And, the Telecom Meltdown Continues...

\* **XO Communications** filed for bankruptcy June 17, the second-largest bankruptcy filing ever by a telecom company, as the Reston, Va.-based telephone and Web service provider owes about \$4.4 billion to bondholders (led by **Carl Icahn**) and \$1 billion to banks. **XO** has not yet agreed on a restructuring plan with both its bondholders and its largest investor, **Theodore Forstmann**, who has already written off \$1.5 billion invested in **XO**, and asked June 6 to be released from a bailout deal, due to the continued and rapid decline of the company's value and its deteriorating financial condition. His buyout firm **Forstmann Little** and the Mexican phone company **Telefonos de Mexico** signed a deal expiring Sept. 15, to invest \$800 million to pay off creditors and keep the business operating, in exchange for 39% ownership each. **XO** shares have tumbled to 3 cents after reaching a high of \$66 in March 2000.

\* **Qwest Communications** CEO **Joseph Nacchio** was forced to resign, and co-chairman **Philip Anschutz** quit, as the phone company is saddled with \$26.4 billion in debt, faces an accounting probe by the **Securities and Exchange Commission**, and attempts to sell its Yellow Pages operation to raise cash. "When the two top guys quit, you can pretty much conclude that things are worse than believed," said a telecom analyst quoted by Bloomberg.

\* **Adelphia Communications** failed to make a \$50-million interest payment to its bondholders June 15, another step closer to filing bankruptcy. The nation's sixth-largest cable company, under investigation by the **SEC** and two Federal grand juries, is in default on more than \$7 billion in bank debt and has asked for \$1.5 billion in financing for operations after it files for bankruptcy protection.

### Two More Energy Pirates Walk the Plank

Two energy-pirate companies announced high-level personnel changes June 19:

\* **AES Corp.**, the Virginia-based, World Wildlife Fund-connected company which sells or generates electricity in 32 countries, announced that co-founder **Dennis Bakke**, 55, has resigned. **AES** lost \$313 million in the first quarter, after it wrote down the value of power plants and other assets in South America. Investors and bondholders have been pressing **AES** to make a change, as the company's market capitalization has dropped from a peak of \$27 billion in Feb., 2001, to \$2.7 billion as of yesterday.

\* **Dynegy** announced the resignation of Chief Financial Officer **Rob Doty**. This is the second top departure at **Dynegy**, as former CEO **Chuck Watson** left the firm in May, amidst falling stock prices and an **SEC** investigation into the firm's accounting and revelations of false trades. **Dynegy's** market cap has fallen from \$18.9 billion to \$3.2 billion.

### German Tabloid: 'When Will the Bubble Burst?'

An insightful article in the economic-financial section of the German tabloid *Welt am Sonntag* June 16 raises alarms that the German real-estate sector is headed for deep trouble, corroborating earlier warnings by *EIR* on the German economy.

At least 1 million square meters of additional office space are coming on the market, in the next few weeks and months, and the question is, who will purchase this space—and thereby pay the dividends to those who have invested in speculative real-estate funds with high expectations? Sales of office space dropped to only 400,000 square meters, during the first quarter of this year, 50% below Q1 in 2001, and there is already a huge overhang of real estate in Germany.

### RTI Steelworkers To Lose Pensions

Extending the pattern of wreckage of workers' retirement benefits, wages, and health insurance as the steel industry is taken apart, the Pension Benefit Guaranty Corporation (PBGC), in a surprise move, has taken over the pensions of nearly 6,200 workers at Republic Technology International, a Fairlawn, Ohio-based steelmaker. The PBGC, a Federal agency set up to continue the pensions of steelworkers when companies go bankrupt, made the move in advance of the outcome in Federal bankruptcy court, where predator KPS Special Situations group is expected to pick up parts of the bankrupt Republic steel operation for a song.

A regional spokesman for the United Steel Workers charged that by acting in advance of the sale, the PBGC has assured that workers won't be eligible for "shutdown pensions" (pensions which are paid to workers pre-retirement, when a company is closed), and that the PBGC is looking to cut its losses at the expense of thousands of workers. A PBGC spokesmen responded by saying that if the agency had waited any longer to take over the RTI pensions, they would have sustained a harder hit, and therefore they acted preemptively.

## UNITED STATES NEWS DIGEST

### U.S. Supreme Court Rules: Executing Mentally Retarded Is Unconstitutional

The United States Supreme Court ruled 6-3 on June 20 that executing the mentally retarded violates the U.S. Constitution by violating the bar to "cruel and unusual punishment" (see U.S. Constitution, Bill of Rights—first Ten Amendments to the Constitution; Eighth Amendment).

The ruling, in the case of *Atkins v. Virginia*, reverses a 1989 Supreme Court decision.

This major breakthrough in the fight against the death penalty, will immediately save the life of Virginia inmate Daryl R.



Atkins, at least for the time being, and potentially dozens, if not hundreds, of Death Row inmates in the 20 states that continue to impose capital punishment on the mentally retarded (broadly defined as those with IQs of less than 70).

Justice John Paul Stevens, in the majority opinion, warned that execution is neither appropriate nor a deterrent in the case of mentally retarded defendants, and that the retarded "in the aggregate face a special risk of wrongful execution," especially due to the likelihood of unfair court proceedings. In the opinion, he declared that much had changed in the U.S. in the 13 years since the Court had refused to recognize a Constitutional bar to putting mentally retarded people to death. At that time, the Court decided that "there is insufficient evidence of a national consensus" that such executions would violate the country's "evolving standards of decency." But, Stevens wrote, "the American public, legislators, scholars, and judges have deliberated over the question whether the death penalty should ever be imposed on a mentally retarded criminal." In fact, the number of states that impose the death penalty, but prohibit its use against the mentally retarded, has grown from two in 1989, to 18 today.

The three barbarians who continued to defend executing the retarded were Chief Justice William Rehnquist and Justices Antonin Scalia and Clarence Thomas. In his dissent, Rehnquist wrote that the majority relied too much on "public opinion polls" in reaching its decision; Rehnquist disdained any reference to international opposition to the death penalty: "The viewpoints of other countries simply are not relevant."

Scalia, in a separate dissenting opinion, relied on just such "community standards" by citing jury decisions: "The fact that juries continue to sentence mentally retarded offenders to death for extreme crimes shows that society's moral outrage sometimes demands execution of retarded offenders." Scalia, taking the unusual step of reading his dissent aloud—and angrily—from the bench, also heaped scorn on the views of his fellow justices: "Seldom has an opinion of this Court rested so obviously upon nothing but the personal views of its members."

Also June 20, the Supreme Court in a 5-4 ruling upheld an Illinois law that guarantees many patients a second opinion when their HMOs deny them medical benefits. The core of the ruling was that the Court found that HMOs are a form of insurance, not just an employee benefit plan, and as such, can be regulated by states, despite the 1974 Federal ERISA statute which, among numerous other provisions, permits only Congressional, not state, regulation of employee benefit plans. That ERISA loophole has been exploited to deadly effect by the HMOs, and the June 20 ruling is being hailed by doctors' and patients' groups nationally.

(Needless to say, the dissenting minority included Rehnquist, Scalia, and Thomas, as well as Anthony Kennedy.)

### **LaRouche on Sept. 11: An E-Mail Exchange**

Dear Mr. LaRouche,

Re: "Truth and 9/11" story found on your web site.

In your story entitled above you state that ....

"In the case of Sept. 11, the pattern of crucial known facts about the attacks themselves, shows that no one outside of a handful of very high-level inside plotters had any actual knowledge of that operation beforehand. "

This is so far from the truth! I suggest you log on to — and purchase a copy of the video presentation on the truth and lies on 9/11 as delved by the site's editor Mike Ruppert. There is more than enough evidence to suggest that almost every intelligence agency in the world knew of the hijacking plot, including a national televised warning on the subject from no

less than President Putin prior to the event.

In fact, the range of overt evidence itself supports the fact that only the deaf and blind within competent intelligence circles would not have known of this plot, let alone what the covert world knew of them.

Ruppert clearly outlines why Sept 11 was "allowed" to happen by the powers that be within the U.S. Your otherwise interesting insights are flawed without the basic facts.

Kind Regards,

Name Withheld to protect privacy

LaRouche Replies:

Your message reached me during my week in Brazil.

Do not be misled. There was no advance intelligence warning of what actually happened on Sept. 11, 2001; although there were warnings of other important risks for the August-September interval. One was of a critical development, related to economic trends, for as early as August, by a leading Russian analyst, announced, in my presence, during a special session of the Duma economic committee, June 2001. There was a planned "Genoa-style" riot which I was investigating, being prepared for late September 2001. None of the numerous investigations reported pointed to the kind of event which occurred on Sept. 11. All of the contrary stories of "advance warning" depend upon a description of the Sept. 11 attacks which is contrary to the details of the attack fully documented in the public domain soon after the attacks themselves. To put the point metaphorically, the rabbit did not kill and eat the lion.

—Lyndon H. LaRouche, Jr.

### **Maggie Thatcher Tells U.S., 'Don't Go Wobbly' on Iraq**

In a June 17 op ed in the *Wall Street Journal*, former British Prime Minister Margaret Thatcher basically aimed to stiffen the resolve of the Bush Administration to overthrow Iraqi President Saddam Hussein, in a "don't go wobbly" lecture similar to the one she used to get the first Bush Administration to fight the 1990-91 Gulf War.

She motivated a near-future attack on Iraq as being part of an effort to eliminate the threat of "rogue states" possessing and using weapons of mass destruction. Stopping the proliferation of these weapons to the "West's sworn enemies," she raved, is "the greatest challenge of our times," as some "rogue states" must be expected "to try to go beyond mere threat"—and, "We must rise to it," said the Iron Lady.

Iran poses a threat to Israel's security by its missile program and support for terrorism, according to Thatcher, but can be neutralized by "diplomatic sticks and carrots."

North Korea, however, "is in the grip of a psychotic Stalinist regime whose rule is sustained by terror and bankrolled by those who buy its missiles," and "is beyond reform." "The regime must go," wrote Thatcher.

Now for the crux: Regarding Iraq, Thatcher wrote that she has "detected a certain amount of wobbling about the need to remove Saddam Hussein—though not from President Bush." Those who have second thoughts about attacking Iraq should



tell Bush, not the press, said Thatcher, as "this is no time to go wobbly."

"Saddam must go," she continued, because "his continued survival ... has done untold damage to the West's standing." Among the measures to overthrow Saddam, she says, are "a major deployment of ground forces as well as sustained air strikes," and mobilizing and assisting internal groups opposed to Saddam."

Thatcher's use of the word "wobbly" was an unattributed reference to Bernard Lewis, one of the authors of the Carter-era Brzezinski-ite "Arc of Crisis" comment and an "expert" on the Arab world, who was brought in last fall as part of the utopians efforts to convince President Bush that Iraq posed an imminent danger to the U.S. and had to be dealt with.

A front-page *Wall Street Journal* story of June 14 recounted (as its headline read) "How Bush Decided that Iraq's Hussein Must Be Ousted," and included a report on a meeting of the Defense Policy Board hosted shortly after Sept. 11 by Defense Secretary Donald Rumsfeld hosted—a meeting which helped convince Vice President Cheney "of the need to act on Iraq," whereupon Cheney invited Bernard Lewis to a private dinner. "I am afraid we are just wobbling dangerously all over the Middle East," Lewis told the *Journal*.

After these and a spate of other meetings last fall, President Bush's initial decision for restraint on Iraq was revised, and then came his State of the Union address in January, labelling Iraq, Iran, and North Korea as the "axis of evil."

"I made up my mind that Saddam needs to go. That's about all I'm willing to share with you," Bush told British journalists in April.

### **Maria Milton: Repudiate the 'Real Axis of Evil'—McCain and Lieberman**

LaRouche Democrat Maria Elena Milton, the 1996 Democratic Party Congressional candidate in Arizona's 4th C.D., appeared on Arizona radio talk shows last week urging listeners to repudiate what she called the "real Axis of Evil," Senators Joe Lieberman and John McCain—McCain, a Republican Senator from Arizona; Lieberman, the Connecticut Democrat, his (equally) evil twin.

On Tucson's KTKT, Milton told host Bert Lee about confronting Lieberman, at a Memorial Day appearance at a school in Phoenix. She told Lieberman that his and McCain's drive for an "Independent Commission on 9/11" was "a sham and a fraud, as shown by the fact that you have not asked the top expert on counter-terrorism, and author of the definitive report on who was behind Sept. 11, Lyndon LaRouche, to head the investigation."

The instant Lieberman heard the name "LaRouche," Milton said, he wheeled around and rushed out of the room, while six football-player-sized bodyguards jumped in front of Milton, to protect the Senator from the housewife and mother of four—who is 5 feet 4 inches tall.

Lieberman's cravenness certainly hasn't hurt him with the press, however. Just ask the *Washington Post*, which ran a fulsome June 18 puff piece on him and his vaulting Presidential ambitions.

"Lieberman Positions Himself Out Front; Presidential Ambitions Not Hidden," was the headline on the front-page story, which recounted how, "In what often looks and feels like a Presidential primary among Democratic Senators, Joseph I. Lieberman has been the unabashed aggressor of late."

He has tried to grab the spotlight as the Man-in-the-Senate on the Homeland Security Department, and plans a grandstanding set of hearings calling the CIA Director, the FBI Director, etc., etc. He's leading the Enron probe (although

he is compromised by Enron connections himself). He's trying to hammer President Bush on domestic issues, teaming up with Bush's 2000 primary rival McCain to do it. The *Washington Post* seems to love it—they certainly gave Lieberman enough column inches.

There are numerous flies in Lieberman's ointment, though. A Harvard School for Public Health study printed in the August 2001 issue of the *Journal of the American Medical Association* demonstrated devastatingly how Lieberman's vaunted videogame rating system was such a grotesque fraud, that of 672 video games rated "E" for "Everyone," nearly two-thirds "involved intentional violence, [wherein] injuring or killing characters is rewarded or required for advancement."

The ratings were developed by the Entertainment Software Rating Board (ESRB), which Lieberman helped to create. An "E"-rated game is supposed to be suitable for children 6 years old and up.

Thirty-five of the games depicted intentional violence over 90% of the playing time. One game called "Rat Attack" had up to 8.4 deaths per minute. Lieberman's supposedly anti-violence, anti-Hollywood stance evaporated, strangely enough, when he discovered during his and Al Gore's 2000 race just how much money there was to be had from Hollywood, for electoral campaigns.

### **FBI Accused of 'Cover-Up' in Anthrax Investigation**

Journals as diverse as *The Scotsman* of Edinburgh, and *Salon*, the online "inside Washington" magazine, have focussed on the findings of Dr. Barbara Hatch Rosenberg, director of the biological warfare division at the Federation of American Scientists, who has been accusing the FBI since February of foot-dragging in the investigation of last fall's anthrax-laden bio-warfare letters.

According to *Salon*, on June 21 Dr. Rosenberg went to Congress, where she briefed the offices of top Senators—Tom Daschle (D-SD), Patrick Leahy (D-Vt), and Chuck Grassley (R-Iowa)—on her widely publicized theory of who is behind the anthrax attacks, and how the FBI has botched the investigation. *Salon* reports that the staff members were briefed for about 90 minutes, and then FBI representatives continued to meet the staff members after Dr. Rosenberg left.

Rosenberg told *The Scotsman* that the profile "suggests the suspect is a middle-aged scientist with a doctoral degree who works for a CIA contractor in Washington." She said that she knows who the person is, and so do a "top-level clique of U.S. government scientists, the CIA, the FBI, and the White House."

*EIW* has reported that the official lack of interest in Rosenberg's profile is related to the fact that top officials in the "war on terrorism" want to steer all attention to "Islamist" and "foreign" terrorists, and have wanted to cover up the fact that U.S. networks are responsible for major terrorism. This would get too close to the fact that Sept. 11 was a *domestic* operation of irregular warfare, an attempted coup against the Administration.

Meanwhile, the *Washington Post* reported June 18 that eight workers from the Brentwood Postal Plant in Washington, D.C.—a focus of illness and death from last fall's anthrax attacks—have died since the fall. Besides the two highly publicized deaths from exposure to anthrax-laced letters at Brentwood last October, eight other workers have since died, four from heart disease, two from cancer, and two from undetermined causes. The U.S. Centers for Disease Control and Prevention said none of the eight died of inhalation anthrax, but more tests are needed.

While the number of deaths is not statistically unusual for the Brentwood population of 1,700, the average age of those who died might be, given that it was only 56. One worker was 36 years old, had regular check-ups and exercised daily; another, who died at 58 of a heart attack, was fit and healthy before the anthrax attack and ran marathons. His health rapidly

deteriorated after the anthrax attack.

## **Terrorism Insurance Bill Passes; Terrorist Scares Hit Washington**

The U.S. Senate on June 18 passed a bill to provide a government backup to insurance companies in case of terrorist attack. The "Terrorism Risk Insurance Act of 2002" (S. 2006), passed by a vote of 84-14, would require the government to pay 80% of claims from future terrorist attacks that exceed \$5 billion, and 90% of claims more than \$10 billion, with a cap of \$100 billion. The government guarantee would be in effect for the rest of the year, and could be extended one year by the Treasury Secretary.

The bill must clear final negotiations with the House of Representatives, which last year approved its own version of the legislation, which President Bush also supports.

As it now stands, lacking guarantees on terrorism insurance, many contractors and developers had refused to go ahead on building projects, particularly in places like Washington which were considered prime targets.

In addition, business around, for example, the White House, are reporting that their insurance premiums are soaring, and some buildings close to the White House have been unable to get any insurance at all.

Meantime, the day after the Senate passed S. 2006, two terrorism scares hit Washington. The first occurred when a suspicious package was found at the Federal Reserve, which was evacuated; surrounding streets were closed during the afternoon rush hour, causing enormous traffic jams.

The second incident occurred around 8:00 p.m. that evening, when a light Cessna plane entered prohibited air space near the White House, causing a partial evacuation of staff there (President and Mrs. Bush were in the White House, but were not evacuated and did not learn of the incident till the next day).

NORAD scrambled fighter jets; then the Cessna pilot made contact with Leesburg, Va. Air Traffic Control facility, which put him in touch with NORAD, whose fighter jets escorted him to the Richmond airport. The F-16s that were scrambled from Andrews Air Force Base did not actually intercept the plane before it made its closest pass to the White House, highlighting the vulnerabilities of the executive mansion and raising concerns that it may be necessary to return to 24-hour-a-day air patrol coverage over Washington.

## **AFL-CIO Announces Campaign To Defeat 'Fast Track'**

The AFL-CIO has announced a major media campaign to defeat "fast track"—Presidential trade negotiation authority—in the House of Representatives. The giant union federation will begin advertising in a dozen Congressional districts by the beginning of July as part of this effort, and promises a fierce campaign to defeat the legislation.

## **IBERO-AMERICAN NEWS DIGEST**

### **Mexico's Treasury Secretary: Argentina Coming Here**

Mexico looks like Argentina before its crash, Mexico's Treasury Secretary Gil Diaz told Mexico's Congress on June 20, 2002. Remember six months ago, the statement issued in January 2002 by Lyndon LaRouche's collaborators, the Ibero-American Solidarity Movement, and titled "We Are All Argentina"? The one that said that Brazil and Mexico, and the

financial systems of all the other countries, too, were going to blow, unless people listened to Lyndon LaRouche? Remember all the people who said we were wrong?

On June 20, Francisco Gil Diaz told the Permanent Commission of the Congress that "we are facing a problem similar to that of Argentina." He argued that fiscal revenues were lower than budgetary expenses, and the difference was being made up by selling off state assets—exactly as Argentina did, until it ran out of things to sell, while its debt grew exponentially, and it finally could not meet its debt payments. We sold the Hidalgo Insurance company, and the remaining government stock in Bancomer, Gil Diaz said; we are securitizing the revenues from the toll roads; and doing things with the Brady bonds, "but at some point we are not going to have anything to sell, and this moment is very soon."

Gil Diaz stated reality publicly, to hammer Congress that they had to pass a killer tax reform. This was too much for President Vicente Fox, however. Already a debate was raging in the media over whether or not Mexico is becoming like Argentina—both economically and politically. Two hours after Gil Diaz spoke, President Fox countered from Chiapas, where he was visiting, that Mexico enjoys economic and political stability, and "things are fine, they are stable."

Reality was also too much for the PRD Party. The PRD Mayor of Mexico City, Andres Lopez Obrador, a fine specimen of the Teddy Goldsmith "anti-globalization" swamp, issued a call on June 21 for people to stop polemicizing about the economic situation in the country, because the "markets are very nervous, and it's better to not issue opinions.... Don't even think about Argentina, forget it. These are big words. A crisis of that magnitude would impoverish us terribly. We are talking about a loss of buying power of 50%," he cried.

### ***Monitor Mercantil: LaRouche Warns Brazil on Foreign Debt Explosion***

One of Brazil's leading daily newspapers, *Monitor Mercantil*, published a prominent front-page article June 17, covering Lyndon LaRouche's high-profile visit to Brazil last week.

Previously, *Monitor*, which has been following LaRouche's work for years, had run two short items reporting on LaRouche's visit. In 1998, the paper ran a front-page interview with Helga Zepp LaRouche on Aug. 18, in which the newspaper acknowledged that she had been correct when she had warned them earlier that the Russian debt was about to blow out; she had also warned that once Fernando Henrique Cardoso was re-elected President in October of that year, speculators would attack Brazil—which is exactly what occurred.

*Monitor's* latest article on LaRouche reads as follows:

"The process of the dollarization of the foreign debt of Brazil 'could explode in the first quarter of 2003.' The forecast is from U.S. economist Lyndon LaRouche, in warning of the risks that the world economy, and especially Latin America, runs in the face of the U.S. monetary imposition, with the support of the IMF.

"Close to 30% of Brazil's public debt, which totals R 684.3 billion, are bonds indexed to variations in the exchange rate. In addition to this, the latest operations of the Central Bank in the financial markets leave as a legacy for the next government, R\$115 billion in debts which come due by the first quarter of 2003. Of this total, a little more than 10% are paper linked to the dollar.

"LaRouche spoke on 'The Global Systemic Crisis and the End of "Free Trade," ' in the auditorium of the Latin American Parliament. The economist, who suffered persecution by the right wing of the U.S. for his positions against neoliberalism, was honored by the Sao Paulo Municipal Council. In his view, the world monetary system 'is finished,' but 'out of fear, the people responsible deny this reality.' 'You should not think that Argentina and the U.S. are different from one another.'

"According to LaRouche, 'The U.S. lives off not paying the debts of its exports [sic]. Perhaps it would be good if the IMF turned its eyes on the U.S., as it does in Argentina,' he said ironically.

"After characterizing the U.S. strategy as 'a financial swindle,' LaRouche said, that if you compare the debt to the total already paid, 'Latin America doesn't owe anything more.'

"He forecast that, if current conditions continue, August, September, or October could bring conditions identical to those of the First and Second World Wars."

## **U.S. Credibility in Ibero-America Falling Faster Than Financial Markets**

As the financial bloodbath spreads to every country in Ibero-America, none excluded, the stature there of the Bush Administration has crumbled. "Crisis Also Threatens Credibility of the Bush Government," *Folha de Sao Paulo* headlined a June 20 article filed from Washington. "The crisis in the Latin American markets is not only affecting the investments of U.S. banks and companies in the region. The credibility of U.S. Treasury Secretary Paul O'Neill, who conducts his strategy for the region based on the thesis that the risk of contagion is an 'intellectual fiction,' a myth created during the Bill Clinton government to justify mega-packages of aid, is also at stake," the Brazilian daily wrote. O'Neill and his number two, John Taylor, bet that Argentina's bankruptcy would not affect neighboring economies. And that the collapse of Enron, for that matter, wouldn't affect any country either, as long as it adopted "healthy measures," such as flexible exchange rates and fiscal rigor, *Folha* pointed out.

*Folha* wrote this, before O'Neill's latest blunder on Brazil! (See LaRouche on the "Hooverville Trolley," in this issue of *EIW*.)

Washington is sending Assistant Secretary of State Otto Reich to Brazil, Argentina, and Uruguay in the first two weeks of July, because it is beginning to recognize that the Southern Cone *is* affected by the Argentina crisis, the Argentine daily *Clarín* claims. But what plans the U.S. may have—if any—to deal with the crisis, are another story. No one knows what Reich is supposed to accomplish by the trip, an Ibero-American ambassador posted to Washington told *Clarín*. An unnamed senior U.S. analyst in Washington said simply: "As far as I'm concerned, they are trying to cover up the fact that, in reality, they have no policy."

## **IMF Sends 'The Undertaker' to Argentina**

John Thornton, the Brit who heads up the International Monetary Fund mission now in Argentina, and who is known colloquially as "The Undertaker," made his reputation working in Ecuador. There, he pushed through that country's dollarization plan, and is known as a "fanatic of the Ecuadoran model," and particularly for the way it handled the issue of frozen bank deposits. He is said to be on exactly the same wavelength as the IMF's Anne Krueger and Anoop Singh, a fact which makes some Argentine officials yearn for the days of Michel Camdessus and Stanley Fischer, who look good by comparison.

## **Argentina GDP Down 16%—Biggest Drop in History**

For the first quarter of this year, Argentina's GDP dropped by 16.3%, over the same quarter in 2001—the biggest quarterly drop in its history. It is estimated now that the decline for this year will be 15%, which would also be a record. After 45 months of official "recession," the Argentine economy has contracted by 20.1%, with a spectacular 60% drop in investment. Measured in dollars, GDP today stands at \$100 billion, representing an extraordinary 70% drop compared to



last year's level. Last year's GDP was similar to Belgium's; now, Argentina trails Indonesia and Poland, and is slightly ahead of Chile.

## **Venezuela Remains a Flashpoint for Crisis**

In Caracas, a half-million people turned out for another march against President Hugo Chavez June 15—many more than the 120,000 or so people organizers had hoped for. The rallying cry remains the same: Chavez must go.

Ten thousand civilians joined a march organized by retired military officers June 20, far more than expected. The officers called the march to demand the President's resignation, and an end to the purge of hundreds of "institutional" military officers, who have opposed the transformation of the Armed Forces into Chavez's personal political instrument. Originally, military officers planned to march in their uniforms, but the government threatened to jail for a month any soldier who did so. Some opted to carry their military uniforms on poles, instead! The organizer of the march, Col. (ret.) Hidalgo Valero, was arrested immediately after the march concluded.

This time the Chavez forces did not attempt to counter the marchers in Caracas, but instead organized Chavez support rallies in the interior. At any point, however, armed conflict between the two irreconcilable opposing forces could break out again, as happened in April. The U.S. State Department issued a travel advisory on trips to Venezuela at the beginning of June, reversing their late-April statement that things were "calming down" there.

## **Gen. Bedoya Supports Peruvian Heroes Against Toledo Gov't**

Colombia's General (ret.) Harold Bedoya, former Colombian Army Commander, published June 14 in *La Razon*, the Peruvian daily, a piece expressing strong opposition to the attempt by the government of Peruvian President Alejandro Toledo to jail the Peruvian commandos who carried out—under the leadership of former President Alberto Fujimori—the spectacular 1997 rescue of 72 hostages who had been held for five months by the narcoterrorist MRTA.

The hostage rescue operation, known as "Operation Chavin de Huantar," by the military forces of Peru "is a successful example of how the war against narcoterrorism should be waged worldwide," Bedoya wrote. "By not following the Peruvian example, Colombia finds itself on the verge of political and territorial disintegration. As in the days of the independence struggle, the freedom and dignity of our peoples have been consolidated through the valor of our soldiers, whose sacrifice lies above the meanness and baseness of those who know nothing about the Nation.

"I want to express my solidarity, and that of the majority of the Colombian people, with the 'Chavin de Huantar' heroes. Thanks to your invaluable effort, terrorism suffered a crushing defeat, although today, using methods of irregular warfare, some are attempting to revive the threat. A people which does not know how to honor its heroes, loses its historic way. In my capacity as president of the 'Fuerza Colombia' movement, I continue to believe that thanks to 'Chavin de Huantar,' the history of Peru and the Americas changed for the good of all humanity."

## **WESTERN EUROPEAN NEWS DIGEST**

### **'Pedophilia Scandals' in U.S.: Cardinal Rodríguez Calls Them an Attack on the Church**

In his May 28 webcast, Lyndon LaRouche was asked by a leading Roman Catholic figure about the U.S. media campaign against the Roman Catholic Church, on the issue of the so-called pedophilia scandals. He replied that this is part of "the attempt to destroy what might be called traditional religious bodies, and to grind them up, as in a blender ... into a world religion, as a part of an empire" after the model of the Roman Pantheon. A few days later, LaRouche's words were echoed



by a prominent leader of the Catholic Church, Honduras Cardinal Oscar Andrés Rodríguez Maradiaga, Archbishop of Tegucigalpa.

In an interview with the Italian magazine *30 Giorni*, Rodríguez compared the campaign against the Catholic Church in the United States to the persecutions of Christians under Nero, Hitler, and Stalin. The Honduran Cardinal did not deny that there have been cases of pedophilia among Roman Catholic priests, and that such practices have to be exposed and severely punished, but he said this should be done without what he called "witchhunts," and without having priests turned into, as he put it, "FBI or CIA agents."

The fact that the Archbishop of Tegucigalpa released his statements in Rome, to a magazine very close to Cardinal Joseph Ratzinger, the Prefect of the Congregation for the Doctrine of the Faith at the Vatican, strongly indicates that his statements reflect the views of the Pope's closest collaborators. At a meeting with the leadership of the American Church in Rome on April 23-24, Cardinal Ratzinger led the discussion. The outcome of the deliberations was that the so-called "zero tolerance" policy was rejected as a surrender to the media-dominated *vox populi*. The media, and some factions of the U.S. Catholic Church, had demanded the suspension of any priest suspected of pedophilia, even before such allegations could be proven, and called this "zero tolerance." Curiously, the most zealous supporters of such a policy in the Church are the same right-wing circles which, when the first cases were reported, suggested that the Church pay reparations, in order to avoid public scandal. In both cases, then and now, this faction objects to establishing the truth, and has been co-responsible for dragging the U.S. Catholic Church into a very difficult position.

At the meeting in Rome, the Vatican opted for fair trial procedures and transparency in each individual case. At the same time, what the Vatican considers the root of the problem was exposed: that the education of priests in the United States has been, in many cases, influenced more by sociological than by theological doctrine, and that this must be reversed. In his official address at the meeting, the Pope indicated that Church leaders must not allow the presence in the barrel of a few rotten apples to be used by the media to smear the reputation of the Church. This aspect in particular was picked up by Cardinal Rodríguez Maradiaga.

The pedophilia scandal, Cardinal Rodríguez Maradiaga said, "is a painful issue, manipulated by the media. When you mix money, politics, and justice, justice becomes unjust. We all know that Ted Turner is openly anti-Catholic, and he is the owner not only of CNN, but also of Time Warner. Not to speak of the other dailies, like the *New York Times*, the *Washington Post*, and the *Boston Globe*, which have been protagonists of what I do not hesitate to characterize as persecution against the Church. I reflect on the fact that in a moment when the whole mass media attention was focussed on what was happening in the Middle East, with the many injustices done to the Palestinian people, the U.S. press and television were obsessively concentrated on sex scandals which occurred 40, 30 years ago." Rodríguez suggested that the reason was the Roman Catholic Church's support for a Palestinian state, its fight for the defense of life and against "dehumanizing policies." "Only in this way can I explain to myself this rabid attitude against the Catholic Church in the United States—an attitude reminding me the times of Nero, Diocletian, and, more recently, Stalin and Hitler."

Those priests "who committed serious crimes must be punished with the appropriate canonical measures [suspension], and, if necessary, must also face state [civil] justice. But, without witchhunts, even inside the Church," the Cardinal said. "We bishops must not forget that we are shepherds of mercy and not FBI or CIA agents.... Allegations must always be proven in a just trial and without persecuting modalities by state authorities, such as are instead occurring now. What they are doing, for instance, against [Boston Archbishop] Cardinal Law, is a scandal.... I know him well. He is a man who did a lot of good for us in Latin America.... I heard that the judge leading the trial is one who supports all feminist movements. Thus, it occurred that, while trials in the U.S.A. last quite a long time, Cardinal Law has been immediately interrogated, with procedures that recall the dark times of Stalin's trials against priests in Eastern Europe. And the records of such interrogations were immediately circulated via the Internet and published with great emphasis by all major dailies. I disagree with this show-trial justice. This is no justice, I repeat, this is persecution."

Cardinal Rodríguez Maradiaga spoke also on the neo-liberal, free-trade economic policies which are victimizing Ibero-America. Unfortunately, he seemed to accept demands for market liberalization, in hopes of allowing poor countries to sell their products—a proposal which has the appearance of responding to demands for justice in trade relationships, but which is used in reality by financial globalizers as a means of looting. Without protection of national industries and agriculture, as *EIR* has shown, the poor countries become victims of even greater exploitation (as the case of Argentina shows most vividly), while the advanced agricultural and industrial capabilities of the wealthy countries are also destroyed.

However, on a precise question about economic policies imposed on Ibero-America, Cardinal Rodríguez Maradiaga was right to the point: "For some, unfortunately including Catholic circles, these neo-liberal doctrines are tantamount to the 'word of God.' They have been taken uncritically and they thought that by applying all recipes, one would achieve economic welfare. The result has been dramatically negative. Let us, for instance, take so-called privatizations, which such neo-liberal 'priests' held to be necessary. What did they produce in reality? In Argentina they privatized everything they could privatize, but the money ... has disappeared. In Peru, ... sure, some macroeconomic indicators have improved, but these are relative signs of progress, because we know that those indicators are artificially determined and have no real relationship with the concrete situation of the majority of the population."

—*Claudio Celani*

## **Pattern of Labor Strikes in European Countries**

Just on the eve of the summer season, Spain's labor unions staged a one-day general strike June 20, to make known their opposition to the plans of Spain's conservative government for deregulation of labor laws.

In Germany, meanwhile, construction workers expanded their strike beyond Berlin, into other, mostly eastern German cities. In the Frankfurt region, banks and insurance companies have seen repeated warning strikes by employees in recent days, and a large part of Frankfurt International Airport has been paralyzed by a strike of flight control personnel, with 64 international flights having to be cancelled.

In Greece, ferry traffic between the mainland and the islands came to a halt June 20, because ferry personnel were on strike.

In eastern Ukraine, miners went on a hunger strike in the Donetsk region over wage arrears, lack of health care, and related issues. Another march by miners on the Ukrainian capital, Kiev, cannot be ruled out.

## **Strike Specifics**

In Spain, a good part of the 15 million workers organized in the country's labor movement, went on out during the June 20 strike; in addition to government plans for labor-law deregulation, the strikers' other target was various policies of the European Union Commission.

In Greece, the seamen's unions expanded their strike, which went into its second day June 19, and have announced that if core demands of their campaign are not met—including defending a pension level of 70% of an average pre-retirement income, and improved job conditions and safety—the strike may last a long time.

The flight controllers' strikes in Germany and other European countries, were geared to affect the beginning of the vacation flight season. The protest is aimed against plans of the EU Commission to put the different civilian flight control systems in the European Union under one coordinating umbrella body; labor unions fear that, given the Commission's general

deregulation and privatization policies, including in the airlines sector, the loss of many jobs would go along with the reorganization.

Finally, employees of 450 offices of banks and insurance companies in the German state of North Rhine-Westphalia went on warning strikes June 19, in addition to those that have been on similar strikes in Frankfurt, protesting plans of the banking managements to downsize massively after the summer recess.

### **Consumer Spending Reported To Be Falling Across Europe**

On the heels of the sharp drop in U.S. retail sales in May, come reports of total consumer spending falling in major European economies. France, which has recently been claimed to be "Europe's strongest economy" by econo-babblers and talking heads, reported that consumer spending fell by a large 3% from April to May, after a smaller drop from March to April. Consumer spending reports for Germany and Italy also showed month-to-month declines. In Italy, auto sales fell particularly sharply in May.

Government leadership, however, continued to fall faster than economic indicators; the weekend Group of Seven Finance Ministers' meeting, according to its communiqué, was unable to spot any problems in the global economy!

### **Italy Facing Risk of Energy Blackouts**

On June 18, Italian electricity consumption reached a peak of more than 50,000 megawatts (MW). Air conditioners, in extra use because of an extremely hot summer, are the main reason for the peaking. Additionally, during the World Cup Soccer championship game that, an increase of 4,000 MW consumption was recorded, as eager soccer fans tuned the game in on television—a circumstance requiring the national provider to deploy the full power available. The overall situation is critical, and the threat of a blackout is real.

Italy depends heavily on oil and gas imports to produce its electricity, since it renounced nuclear power in 1987 in a misguided popular referendum. This results in a heavy load on the trade balance (50% of Italy's import bill is oil and gas). But Italy's production capacity is also insufficient, and therefore, the country is forced to import 20% of its electricity from its neighbors, including, ironically, nuclear-produced electricity from France.

The Italian government has sped up procedures to build new conventional power stations to avoid a blackout crisis in the near future, and some sections of the governing coalition are boldly suggesting a review of the anti-nuclear decision. Industry Minister Antonio Marzano, however, said recently that public opinion is not yet ready to accept nuclear energy, and predicted it would take another 10 years for that to occur.

### **French Legislative Elections Give President Chirac the Whip Hand**

As was to be expected, the second round of the legislative elections June 16 confirmed the victory of newly reelected French President Jacques Chirac's UMP party in the first round a week earlier. With 358 seats (out of 577 total), the UMP has the absolute majority (289) in the present assembly. The Socialists suffered major losses, going from 248 seats in the previous legislature to 140 in this one. Altogether, the right wing, including the centrist UDF and others, controls 399 seats, while the left wing has 175. One of the major players in the election, however, was voter abstention, which hit a record high of over 39%.

During the first round of the Presidential elections earlier this year, the electorate sent Socialist Prime Minister and Presidential hopeful Lionel Jospin into oblivion, gave incumbent President Chirac the cold shoulder, and qualified ultra-

rightwinger Jean-Marie Le Pen for the second round. Then, in the second round, to stop Le Pen, voters came out in droves, electing Chirac with a landslide he could never have earned on his own merits.

Then, in the legislative elections, voters decided to vote for the very power bloc they had massively rejected in the first round of the Presidential race. According to polls and discussions, people decided to vote "practically": they voted against the "cohabitation" with the Socialists; gave Chirac all the powers he needs to carry out his policies; slashed the vote totals of the small, more radical parties, including the Communists, the Greens, etc., and oriented the left wing of French politics around the battered Socialist Party. Big losers were the extreme leftwing movements, with vote totals less than 3%, after having reached a high 10% in the last Presidential round. Also, Le Pen was brought down to slightly over 11%, from a high 17% in the Presidential race.

## Russia and Eastern Europe News Digest

### Leading Russian Economist Announces Candidacy for Krasnoyarsk Governor

Sergei Glazyev, the former chairman of the State Duma's (Parliament's) Economic Commission, has announced his candidacy for Governor of the Krasnoyarsk region, declaring, "I am ready for battle." The announcement marks a turning-point in his political career, and, probably also, significant shifts in Russia's internal political situation as a whole. In a strategic assessment published a month ago in the newspaper *Zavtra*, in reaction to the yearly State of the Federation address by President Vladimir Putin, Glazyev called for a reorientation of "national-patriotic forces" away from narrow focus on the center in Moscow, toward building up their in-depth political and economic base in the Russian regions. This reorientation, the noted economist said, was necessary due to what appeared to be the unbroken grip of the "oligarchs" on national decision-making. As long as their control persisted, no positive changes in economic policy could be expected from the Putin Administration.

Earlier this year, Glazyev was removed from his position as chairman of the Economic Policy Commission of the Duma, which had last year invited Lyndon LaRouche as the keynote speaker at a hearing on the global financial crisis.

The governorship of Krasnoyarsk, considered the richest of all Russian regions in terms of accessible natural resources, was left vacant by the sudden death of Gen. Aleksandr Lebed—with whom Glazyev had once worked very closely—in a helicopter crash on April 28. The election of Lebed's successor is scheduled for Sept. 8.

"The decision to become a candidate ... was not easy for me," said Glazyev. "My competitors are strong figures, well-known in the Krasnoyarsk region. But the problems of the region are not unknown to me. I have been there often ... and have many friends there." Although Glazyev is not a Krasnoyarsk native, he asserted: "In the last analysis, what is important is not where you were born, but what you are ready and capable of doing.... Right now the wealth of the Krasnoyarsk region is neither benefitting the population, nor Russia as a whole, but is enriching criminal structures.... This is absurd: The richest region of Russia has the lowest rate of growth of average income.

"I don't exclude that active counterattacks will be launched against me personally, and against my supporters," Glazyev continued. "But I am ready to fight. I have a concrete plan of action, to bring the region out of the crisis, and there is a program to restore economic stability to the region. I don't promise mountains of gold, but I will do all in my power, to ensure a life in dignity for the citizens, and to make sure that the economy works in the interest of the region."

### Putin Calls for Repatriation of Flight Capital

Russian President Vladimir Putin has called on Russian businesses that channelled earnings abroad, most of it illegally, to

bring the funds home. Aleksei Violin, his deputy chief of staff, said June 19 that the Russian government is drafting an amnesty law, allowing Russian citizens to declare, repatriate, and pay taxes on (at Russia's vaunted 13% flat income-tax rate) the funds they hold offshore, without facing prosecution. They would be allowed to leave 75% of their money abroad in its offshore havens. Addressing the Russian Chamber of Commerce and Industry, Putin motivated the proposal by saying, "It would be much more sensible for the business community, together with the government, to think about creating favorable conditions for investing Russian resources, including those placed in the West, in the Russian economy."

Although a partial flight-capital amnesty has figured in many proposals for generating investment within Russia, Putin's latest statement has to be seen in the context of the current hype about how (bankrupt) foreign speculators, with their Russian criminal partners, should seize this moment to make money by looting Russia—since they can't do so elsewhere. On June 13, Economics Ministry official A. Ulyukayev (one of the original Yegor Gaidar liberal reform team) announced that Russia has now shifted from net capital flight—of approximately \$20 billion annually—to net capital inflow.

On June 15, Itar-TASS reported from Halifax, Canada that "halting of the exodus of capital from Russia was the main positive news" when Finance Minister Aleksei Kudrin met his Group of Eight counterparts, adding that "Kudrin stressed the importance of this news for the development of the Russian economy and its integration into the world economy." Also in early June, the notoriously politicized international rating agencies in unison upgraded Russia's credit rating, or issued improved forecasts on the Russian economy.

Quick to welcome Putin's announcement was Anatoli Chubais, another key figure in the ransacking of Russia through privatization and asset-stripping during the 1990s. Currently the head of United Energy Systems, the national electricity company, Chubais said that for too long the attitude towards illegal capital flows had been "ban and interdict." Now there would be a "more professional" approach to offshore accounts. On June 21, Mikhail Khodorkovsky's Yukos oil company became the first big Russian company to publicize its ownership structure, which consists of nested offshore holding companies, based in Gibraltar and the Isle of Man. Formally, the action by Yukos was done in preparation for a new type of international share issue, but Russian media were quick to call it a sign that "our offshore capital is ready to come home." Khodorkovsky himself is campaigning for the dubious scheme to boost Russia to the status of world's top oil supplier (see *EIW* #13, INDEPTH article, "What Did 'Energy Dialogue' at Bush-Putin Summit Mean?").

## **Economic Protests Occur In Russia, As Worries About Them Rise**

"Recent cases of social unrest point to a dangerous trend in the way the public is responding to stagnating incomes and rising inequality," Prof. Stanislav Menshikov wrote in his June 14 column for *The Moscow Tribune*, analyzing the nervous sparring among the Russian government and President Putin's staff over what rates of economic growth to attempt to achieve. He suggested that hesitation to proceed with the drastic cuts in federal budget spending, advocated by Presidential adviser Andrei Illarionov, is due to some degree of realization that "Rocking the budget boat too much is dangerous and could easily destabilize the economic and financial balance."

During May and June there have been street protests over wage arrears (in the Far East) and utilities price hikes (in the interior cities of Voronezh and Ulyanovsk). On June 18, protester Valeri Sitnov was killed when hit by a truck while trying to blockade the Ulyanovsk-Penza highway, as part of a group protesting the local power company's cut-off of electricity to the town of Staroye Timoshenko. Another person injured in the protest action could not be hospitalized, because power had also been cut to the local hospital.

Concluding his June 14 speech on the 2003 budget, made before the Federation Council, Prime Minister Mikhail Kasyanov named his top priority: "...to secure the rate of growth, without which we will not be able to keep the situation under control, or, rather"—quickly adjusting his formulation—"to improve it."

## **Russian Wages Plummet 60% During 1990s**

Academician Dmitri Lvov published an article in *Versty* magazine, No. 59, June 2002, "An Impartial View of the Russian Economy," which noted that during the 1990s, Russian wages and other labor remuneration fell by an astonishing 60%. He identified this as one of the most important problems to be solved if Russia is to reverse its economic catastrophe. He also identified this as a holdover problem from the Soviet era, but a problem that has deepened in the post-Soviet period. "We live in poverty," he wrote, "because we have an inadmissibly low level of labor remuneration, not because we work poorly. Not a single civilized country has such a low level of pay by the hour.... Over the 1990s, effective wages have declined by 60%."

## **Uzbekistan Leaves GUUAM, Looks to Shanghai Cooperation Organization**

Uzbek Foreign Minister Abdulaziz Komilov announced June 14 that his nation was withdrawing from the GUUAM group, made up of Georgia, Ukraine, Azerbaijan, and Moldova, which was set up as a security alliance of these former Soviet states. Komilov said that at this time, "The economic dimension of the international organization is the most important for us," referring to Uzbekistan's relations with both the United States and Russia.

In terms of its security, analysts referred to by UPI, state that Tashkent's decision was linked to the recent meeting of the Shanghai Cooperation Organization, to which Uzbekistan belongs, which is establishing a legal basis for security cooperation among its members.

## **MIDEAST NEWS DIGEST**

### **Former Mossad Chief: No 'Legal Proof' Needed Against Terrorists**

Schlomo Shavit, former chief of the Israeli Mossad, called for a "lowering of the bar" for legal proof criteria in terror cases. Speaking at a June 16-18 conference, "Secured Skies: Confronting International Terrorism," that was held in Washington and jointly sponsored by the International Transport Association and the Israeli Department of Transportation, Shavit called for much closer international cooperation and an "international division of labor" on intelligence matters dealing with terrorism. He spoke on a panel on terrorism that was chaired by old Zionist lobby hand Stephen Bryen.

Taking every opportunity in the post-Sept. 11 "war on terrorism" to use the "Israeli model" as the "successful" model for combatting terrorism, the Likudniks are pushing to secure their anti-Palestinian policies as a model to be followed. Couching his statements in terms of a "call for international agreement," Shavit made a blatant pitch for Israeli intelligence and tactics to take over the "war on terrorism" (a plank pushed by the rightwing lobby group JINSA, of which panel moderator Bryen is a leader).

"We must realize," Shavit said, that "there is no good terrorism, no local terrorism, and that the ends don't justify the means." He complained about the gaps between adequate intelligence and meeting the requirements of the courts for rigorous legal proof. He proposed that this "dilemma" could be resolved by "lower[ing] the ceiling for legal proof."

The Western countries embrace democracy, but our enemies do not, he said. "When you study Islam, it's clear they don't accept these ideals." Lowering requirements of proof for conviction is the "only way to enhance liberalism and democracy," Shavit said. In addition, there "must be a prohibitive price for the terrorists." Perhaps taking retribution on their relatives?



"In this intelligence war, you have to break the barriers of the single terrorist." A little bit of torture, perhaps? Shavit summed up by saying there must be a realization that no one can fight terror alone, and that "the requirements for all states in fighting terrorism are the same."

Thus, "With the division of labor among the intelligence services, things would be much easier," he said. "Israeli experiences in fighting terror should be moulded with the post-Sept. 11 U.S. situation in order to fight terrorism."

## **Retired U.S. Diplomats Denounce Plot Against Saddam Hussein**

Interviewed on National Public Radio on June 17, Ed Peck, who served as Chief of Mission to Iraq for the U.S. from 1977 to 1980, said that the removal of Saddam Hussein, authorized by a Presidential order exposed in the *Washington Post* by Bob Woodward on June 16, would unleash a flood of opposition throughout the Middle East. Peck denounced the idea that the CIA could be used for this purpose, and warned that such an action by the U.S. would "create an implosion" inside Iraq, where it would be the people who would suffer the most, as they have during 11 years of sanctions. "Who gave the USA the right to determine who governs Iraq?" asked Peck, pointing out that targetting Saddam Hussein, with military and economic warfare for a decade, has actually made him stronger.

NPR also interviewed Judith Yaphe from the National Defense University, who strongly supports the "regime change" policy, but even Yaphe and interviewer Robert Siegal had to admit that Peck was right in saying that the U.S. has absolutely no concern, and no strategy, for what happens in Iraq "the day after."

Peck, who is active in the Council for the National Interest along with former State Department and Congressional officials who oppose the Sharon policy in Israel, and the neo-conservative "perpetual war" policy, also said that Saddam Hussein does not possess weapons of mass destruction. Peck has collaborated with former UN weapons inspector Scott Ritter in seminars that show that assertions about Iraq's WMD program are unfounded.

Then, on June 21, in the London *Financial Times*, in a perhaps unexpected development, former U.S. Ambassador to the United Nations Jeane Kirkpatrick, now with the neo-conservative fortress the American Enterprise Institute, criticized the entire idea of "preemptive military strikes." Kirkpatrick told the *FT* that the Reagan Administration, in which she served, was against "the use of preemptive force," and that was the basis for condemning Israel, in 1981, when Israel bombed Iraq's nuclear reactor. She warned that a preemptive strike against the Saddam Hussein regime posed serious dangers for other, non-Islamist regimes in the region:

"This involves a real shift of course for American military strategy and tactics, and I do have some questions about whether it is a prudent shift of tactics. The question is whether the consequences would be to win recruits for the most radical Islamists, and create more problems for Hosni Mubarak of Egypt, or Jordan's King Abdullah. Iraq has been a secular government, and I think we don't want to participate in driving those secular governments into something more violent and Islamist."

This puts Kirkpatrick directly at odds with the AEI agenda, which has fêted Benjamin Netanyahu on numerous occasions since Sept. 11 as the "poster boy" for "preemptive warfare."

## **Al Jazeera Features LaRouche Analysis of Sept. 11**

*EIR* Senior Editor Jeff Steinberg was interviewed on the popular Al Jazeera TV interview show, hosted by Malek Triki, on Sunday, June 16, for more than 20 minutes. Earlier this year, Steinberg, Ed Spannaus, and Lyndon LaRouche were all interviewed in separate shows by Triki on Al Jazeera.

The subject of the June 16 interview was ostensibly the U.S. intelligence failures leading up to Sept. 11, but Steinberg, from the start of the interview, focussed on the policy failures which were the root cause of the intelligence shortcomings.

Steinberg began by citing [Lyndon LaRouche's Sept. 11 radio interview](#), in which LaRouche spelled out that the attack on the Pentagon and the World Trade Center was an *internal* attempted coup d'etat, an act of strategic irregular warfare way beyond the capabilities of Osama bin Laden and al-Qaeda. LaRouche said that the attack could not have been carried out without high-level military complicity from inside the United States. Nevertheless, as a matter of policy, Steinberg explained, the Bush Administration knowingly lied about the bin Laden and al-Qaeda sole responsibility for 9/11, making the mission of the intelligence and law enforcement services almost impossible.

In the second half of the interview, Triki asked about the significance of the recent arrest of two Israeli citizens in Washington State, in a truck with traces of plastique explosives and TNT, noting that there has been no effective U.S. action against the more than 200 Israelis detained in the U.S. for apparent espionage activity. Steinberg elaborated the Israeli intelligence penetration, citing cases where Israeli "art students" were living within blocks of accused 9/11 hijackers, including Mohammad Atta. "We don't even know the extent of what the Israelis knew in advance about the 9/11 attacks," Steinberg told the Al Jazeera audience, adding that it cannot be ruled out—particularly following the recent arrests at Whidby Island Naval Air Station in Washington State—that Israeli intelligence had an operational role in carrying out terrorist attacks on U.S. soil.

## **Sharon Ends Oslo, Plans Two-Front War**

*The following is excerpted from an article that appeared in the New Federalist newspaper of June 24, 2002:*

Ariel Sharon has made a "preemptive strike" against the possibility of peace in the Middle East, in moving to seize Palestinian territory "for keeps," just days—or perhaps hours—before President George W. Bush was to make a policy statement about a Palestinian state. Bush's ridiculous comment calling Sharon a "man of peace," now comes back to haunt him in the biggest strategic crisis to hit the U.S. in years.

As of June 19, not only does the Sharon government have permanent occupation of the Palestinian territories up its sleeve, but, with the backing of neo-conservative madmen in the U.S. Congress and within the Bush Administration, Israel is also threatening to open a second front in a war against Syria and Lebanon. While Sharon drowns the Israeli-Palestine states in blood, his U.S. allies associated with Richard Perle and Paul Wolfowitz are pushing for a U.S. war against Iraq. And, to avert any interference in their insane plans, Sharon and his generals are using nuclear blackmail against the United States and the rest of the world, in an update of the 1960s RAND Corporation's nuclear "chicken game" scenario.

## **The Death of Oslo**

On the morning of June 19, the world was greeted with a stark declaration of war from Israel:

"Following Prime Minister Ariel Sharon's discussions with the leaders of the political parties in the coalition and top security establishment officials, it was decided to take several military actions against the Palestinian Authority [PA] and the murderous organizations. This includes—inter alia—a change in the way in which Israel responds to murderous acts of terror: Israel will respond to acts of terror by capturing PA territory. These areas will be held by Israel as long as terror continues. Additional acts of terror will lead to the taking of additional areas. As a result of yesterday's [June 18] murderous act of terror in Jerusalem, Israel will shortly take PA territory as outlined above."

By 5:00 a.m. Washington time, as Bush was apparently still deciding on the "most opportune moment" to deliver his peace plan address, the Israel Defense Force and Sharon took the initiative away from Washington, and were driving deep into the West Bank. [By June 21, Sharon's security cabinet expanded the intended re-occupation area to all of the areas taken in Operation Defensive Shield.] Defensive Shield, with the enormous destruction, and mass killings and arrests, did everything *except* stop the terrorism against Israeli civilians.

According to well-placed sources close to the Israeli peace camp, Sharon's military re-occupation of the Palestinian territories was *not* a reaction to terrorism, it was *pre-planned* to stop any move by the U.S. to concretely support a Palestinian state. The spate of suicide bombings against Israelis over two weeks, especially the June 18 bombing that triggered the latest Israeli invasion, have even been called "a gift to Sharon," who has used each bombing by the Palestinian enemies of Arafat to intensify Israel's assault on the structures that were created in the 1993 Oslo Accords between the Israelis and the Palestinians.

Now, the Bush Administration is faced with a paradox of its own making. The Administration and U.S. intelligence services are well aware that the *intention* of Sharon and his associates, who follow the teachings of Jewish fascist Vladimir Jabotinsky, is to kill Arafat—something that Sharon has wanted to do since 1982. The Administration knows that Israeli attacks have gutted the ability of the Palestinian Authority to conduct the law-and-order duties that could possibly *stop* terrorism. They also know that Jabotinskyite Netanyahu led Sharon's Likud Party in a vote that *there will be no Palestinian state*, in a direct challenge to the United States.

According to leading pro-Israeli peace voices such as *Ha'aretz* reporter Amir Oren, and Geoffrey Aronson, a leader of the Washington-based Foundation for Middle East Peace (FMEP), Sharon has already created the "post-Oslo era," invading areas which were put under Palestinian administration in the "land for peace" agreements. As Oren wrote on April 5, "The IDF is doing as it pleases," in all the areas of the West Bank. Philip Wilcox, a leader of Americans for Peace Now, and a former counter-terrorism chief in the State Department, says "Sharon is reasserting Israel's control over the entire West Bank, sweeping aside the Oslo arrangements." The MPEF adds that Sharon showed a map to Colin Powell back in April, showing that Sharon defines a *military* area between the "Green Line" (1967 border of Israel), and the West Bank, as a "security" area that has to be cleared of Palestinians. But Powell, whose November 2001 policy speech spoke of a Palestinian state, treated Sharon with kid gloves, hence risking a global war.

## Iraq and Nuclear Showdown

Speaking from Brazil where he was participating in high-level meetings last week, U.S. Presidential pre-candidate Lyndon LaRouche warned that the financier oligarchy, centered in Wall Street, will embark on a hideous military adventure around the period of August to September, and not later than October. Despite talk of "cooling down" situations, whether in India/Pakistan or the Middle East, this utopian military drive is necessitated by a desperate need to control events as the global financial system disintegrates. The moves by the Israeli branch of this utopian war party are exactly along the lines that LaRouche warned.

[On June 15, the *Washington Post* ran two adjacent articles, broadcasting that Sharon was planning to open a second front—war against Lebanon and Syria; and that Israel has completed development of a nuclear triad—air-, land-, and submarine-launched nukes—see [INDEPTH](#).]

The *coup de grace* of this doomsday scenario then appeared in the *Washington Post* on June 16, written by Bob Woodward of Watergate fame, who reports that an executive order by President Bush has authorized CIA covert action to topple Saddam Hussein in Iraq. The Woodward leak came precisely as Sharon's allies in the Administration around Defense Policy Board chief Richard Perle were pressing for an immediate Iraq war.

For Perle, Sharon, Netanyahu, and their fans, the ideal preemptive strike was the unprovoked 1981 Israeli destruction of the Osirak nuclear reactor in Iraq. Could there be a covert deal to let Israel do it again?

## **Mubarak Visits Jordan, Syria as Sharon War Plans Loom**

On June 19, Egyptian President Hosni Mubarak made an urgent one-day trip to Jordan and Syria, as Israelis were threatening to reoccupy the West Bank, and attack Syria. Mubarak met with King Abdullah in Amman and issued a joint statement rejecting the U.S. idea (which has not been announced yet) of a "provisional" Palestinian state. However, as Arabic dailies report, the real discussion was about the Israeli threats of renewing occupation of the West Bank and probably sending Arafat and other PLO leaders into exile.

Before leaving Amman to Damascus to meet with Syrian President Bashar Al-Assad, Egyptian Foreign Minister Ahmed Maher, who accompanied Mubarak, told the press in reply to questions about the Israeli threats against Syria: "We will not accept, under whatever circumstances, any Israeli military strike against Syria. Even the Israeli people would not accept that." He added "These threats reveal the aggressive and foolish nature and Sharon's policies."

En route to Damascus, Mubarak told escorting reporters that "those who say that removing Arafat would bring a solution are disillusioned, because removing Arafat would open the door for chaos. No other Palestinian leader but Arafat would ever be able to negotiate a solution and convince his people to accept it."

Mubarak also said that he explained to President Bush recently that the talk about removing or toppling Arafat is a violation of democratic principles. He also said that he reminded Bush that the committee which observed the elections when Arafat was elected as President for the PNA, was headed by former U.S. President Jimmy Carter.

## **CNN Founder Turner Attacked for Defending Palestinian Civilians**

The Zionist lobby defenders of Jabotinskyite fascism in Israel are in full mobilization against any public figure who breathes a word of concern about the plight of Palestinian civilians.

Such was the treatment meted out to CNN mogul Ted Turner, who criticized Israel's military operations, and also to Cherie Blair, the wife of the British Prime Minister, who spoke of the despair gripping Palestinian youth, as she visited a humanitarian center in London.

In an interview published in the June 18 London *Guardian*, Turner said that Israel is carrying out terrorism against the Palestinians. While he said that the Palestinians are also conducting terrorism, he pointed out that the Palestinians were defenseless, while Israel had the biggest military force in the region. The Turner comments, not surprisingly, triggered a firestorm of attacks, led by Camera, the same organization that led the attack on Fox-TV's Carl Cameron after he dared to report on the detention of hundreds of Israelis for spying on U.S. government facilities. Camera ("Committee for Accurate Middle East Reporting in America") is a front group for the Washington-based Israeli/neo-con military penetration group, JINSA.

Mrs. Blair was deluged with accusations that she had defended suicide terrorism.

## **Asia News Digest**

## **Mahathir Links Terrorism to Economic Breakdown**

Malaysian Prime Minister Dr. Mahathir Bin Mohamad lashed out at Israeli Prime Minister Ariel Sharon for assuring continuous terrorism globally, in his speech to the annual conference of United Malays National Organization (UMNO), the government party, on June 20. Dr. Mahathir hit the U.S. war on terrorism and the Israeli attacks on Palestinians as immoral and as failures in stopping terrorism, and linked the continuing terrorism to the failure of the world to implement a new financial architecture since the 1997-98 breakdown crisis. Some excerpts:

"Faced with this unprecedented threat (of 9/11), the big powers appear to have panicked and lost their direction. Unused to handling attacks by terrorists, they resorted to conventional warfare. Although all the Sept. 11 terrorists were not Afghans, but [since] Afghanistan which had been used as base by the Al-Qaeda, suspected of involvement in the Sept. 11 attack, this country was attacked with weapons which recognize no one. Many innocent people, civilians, old and young women, children, the sick, were killed or wounded and millions of the people of this unfortunate country fled to neighbouring countries where they live in miserable conditions, without adequate shelter, without food or medical facilities....

"But terrorism has not been stopped.... Defeating Afghanistan has not given any effect in the fight against terrorism. Actually the possibility of terror attacks has increased because Israel, which oppresses Palestine, used the war against terrorism to upgrade its terror attacks against the Palestinians. Ariel Sharon, the Prime Minister of Israel, believes that terror can be stopped by more terror against those whom he claims are sponsors of terrorists.... But the Israeli action not only fails to reduce terror attacks, it actually causes much greater anger among Muslims, which can cause even more terrorism.

"Israel must realise that it is surrounded by Arab and Muslim countries. For how long does it expect to counter terror with more terror against the Palestinians? Even if the Israelis kill all the 6 million Palestinians there is no guarantee that other Muslims and Arabs from the surrounding countries will not terrorize like the Palestinian suicide bombers.... Israel should understand the futility of its methods.

"The only thing that will stop their terrorism is the removal of the cause or causes of their struggle.

"The truth is that the economic recession in these countries was caused by the rogue currency traders dumping so much of the currencies of these countries, and [by] the stock market players short selling their shares. Although it is clear that this caused the economic disaster, the relevant authorities still refuse to change the international financial regime...."

### **'New Violence' Incident Shocks China**

To the shock of the nation of China, two boys, ages 14 and 13, apparently set the fire in a Beijing "Internet cafe" which killed 25 people and injured another 12.

*China Daily* reported on June 21 that the two boys confessed to police that they used gasoline to set the Lanjisu Internet Cafe on fire, because the manager would not allow them to use the computers.

The unlicensed "cafe" also violated fire regulations, so that, because windows and doors were locked, the death toll was high. Beijing has now shut down all 24,000 of its Internet cafes, of which only 10% are licensed.

According to the Beijing government, both boys had "admitted they often went to play in the Internet cafe. Two weeks ago, they had a disagreement with the owner of the Lanjisu cafe and in revenge they bought gasoline and set it on fire." Only the 14-year-old can be tried. One boy was wearing a "punk" style hairdo, with dyed hair.



On June 19, Beijing's vice mayor Liu Zhihua condemned Internet cafes as an "opium" for China's youth, while state media has criticized the cafes as a bad influence on young people.

## **Nearly 20% of China's Land Has Turned into Desert**

The *Chinese People's Daily* of June 18, reported that nearly 20% of China's land has become desert, citing an announcement by Zhou Shengxian, director of the State Forestry Administration, in Beijing. Both human and natural factors are contributing to this disastrous process. A total of 1.743 million square kilometers were classified as desert in 1999, and the deserts are expanding by 3,436 square kilometers per year.

China has been carrying out large-scale anti-desertification projects, including a decade-long forest shelterbelt project in northern China, but the problem, exacerbated by severe droughts the past several years, keeps getting worse.

An effort is being made by the Ministry of Water Resources to "seal off" an area of about 260,000 square kilometers near the Great Wall, and turn back the desertification process there. This area, of parts of Beijing, Tianjin, Hebei and Shanxi, and Inner Mongolia, is mostly degraded grassland and semi-desert. The real deserts are a problem beyond what China can deal with technologically at this time, and the "fringe" areas are being dealt with first.

This project involves reforestation, including of land that had been used for farming, and relocating of residents of areas that are deemed too arid.

## **Indian Officials Discuss Lessening of Kashmir Tensions**

Indian Defense Minister George Fernandes told reporters in Srinagar June 20 that the infiltration of militants from Pakistani territory into Kashmir "has almost ended." But he said those militants who were already inside are fighting the Indian security forces. "The ground situation has not changed as far as the activities of the militants inside Kashmir are concerned," Fernandes said.

Meanwhile, Indian Home Minister L.K. Advani said, on the "Talkback" program on Doordarshan (the government-run TV channel), that the lessening of tension between India and Pakistan was "primarily" due to the stand taken by the United States, Russia, and Britain, and now it is "their responsibility" to ensure further progress in this regard.

The Chinese Foreign Ministry has urged India and Pakistan to start talking to resolve the Kashmir issue.

## **Pakistanis Change Foreign Ministry, Education Law**

Following the resignation of Foreign Minister Abdul Sattar in early June, Pakistani President Pervez Musharraf appointed Secretary of Foreign Affairs Inam ul Haq as the Minister of State for Foreign Affairs on June 18. It is not clear at this point whether a full Minister for Foreign Affairs will be named. According to reports in the media, Sattar was removed at the behest of Washington, as being "too anti-India," and as part of the political grouping represented by Imran Khan. At the same time, it was noted that Imran Khan, who is positioning himself to become a key player in the coming October general elections, is speaking out loudly against President Musharraf for "selling out to the United States."

In another development, Pakistani Information Minister Nisar Memon told reporters on June 20 that Islamabad has issued a new ordinance, "Madrassa Regulation Ordinance 2002," in a bid to regulate the functioning of close to 8,000 madrassas (Muslim religious schools). Describing the madrassas as part of Pakistan's tradition and culture, Memon said these schools would have to register with the Pakistan Madrassa Education Board and the relevant Provincial Madrassa Education



Boards. Another report indicates that Islamabad will demand certain courses be taught at the madrassas in addition to the religious teachings taught at those schools. Western media, especially those which show a bias against Islam, have insisted that madrassas are teaching children to be terrorists.

## **Indian Economic Sectors Show Growth**

Following months of slow growth of the infrastructure sector, India's key infrastructure sectors grew by 5.5% in May, aided by increasing demand for steel and cement; this raises hopes of an industrial revival in the second half of 2002. The sectors spanning crude oil, petroleum refining, coal, steel, cement, and electricity account for nearly 27% of industrial production, which was sluggish for most of 2001-02 (April-March).

Meanwhile, the United Nations Food and Agriculture Organization (FAO), in its latest report, said that India has emerged as the second largest exporter of rice, replacing Vietnam. India's exports are likely to be 3.6 million tons this year. The traders, however, contend that that figure is conservative and it could be more than 5.0 million tons. India's rice exports are well behind those of Thailand, at 7.6 million tons. The FAO's figures are based on another anticipated bumper paddy harvest and the expected surge in imports by Indonesia and China.

## **IMF Backs Looting of Philippines by Energy Pirates**

The IMF is urging the Philippines government to take payments out of the hides of the population to pay the steep charges for *unused* energy (called the PPA), which the government must pay, according to the corrupt foreign contracts from the 1990s. The costs were made even worse by the energy deregulation bill passed last year, and there is a huge popular revolt brewing against passing on the costs. The IMF has (naturally, by its standards) joined the fray by warning the government not to give in.

IMF Mission Chief Joshua Felman told President Gloria Macapagal-Arroyo (who did, in fact, give in to the pressure in May by temporarily withdrawing the PPAs), that if the country expects any foreign investment, "There is a need to establish a credible regulation structure to cover the cost of investment." He said that the \$300 million that was to be passed on to consumers can *not* continue to be paid out of the government budget.

## **Bush Approves U.S. Combat in Philippines**

As *EIW* has repeatedly warned, the "exercises" involving U.S. troops in the Philippines are about to turn into a combat situation. The situation is moving rapidly towards war, as U.S. troops who were engaged in a construction project near the capital of Basilan Island, Isabela, were fired upon and returned fire. No casualties were reported. Two U.S. Army Chinook helicopters flew from Zamboanga (on the Mindanao mainland) to Basilan after the exchange, but it was not disclosed whether they were on combat duty.

Meanwhile, not surprisingly, Bush Administration officials announced to the *New York Times* June 18 that President Bush has agreed in principle to allow U.S. troops to join on combat mission deployments with Philippine Army soldiers. (This ignores the Philippine Constitutional ban on such deployment, which the Arroyo Administration appears anxious to ignore it as well.) The official also acknowledged to the *Times* that this Presidential decision "almost certainly means that joint training between the two countries will extend beyond July 31," the official end of the "exercise."

The disclaimer that U.S. troops will "only use force in self-defense," becomes outright black humor in light of the news this week that a Presidential order approved operations to deploy covertly into the sovereign nation of Iraq in order to kill the head of state, but to use force only in "self-defense!"

## **Telecom Crash Hits Singapore Giant SingTel**

Singapore Telecommunications Ltd (SingTel) shares hit a new low—S\$1.41—June 17, after Moody's Investors Service revised its credit rating outlook to negative, from stable, on fears that the telco may not be able to cut its debt.

"The change in outlook reflects Moody's concerns that SingTel may find it difficult to reduce debt to targeted levels in the current operating environment," a Moody's statement said. The telco, which bought Australia's Cable & Wireless Optus for U.S.\$7.76 billion last year, saw its net cash position of U.S.\$1.73 billion in fiscal 2001 turn to a net debt of U.S.\$5.53 billion in fiscal 2002.

## **Admiral Blair Urges Stronger Ties to Myanmar**

U.S. Admiral Dennis Blair, the just-retired former U.S. chief of the Asia-Pacific Command, called for the U.S. to form "effective connections" to Myanmar, which is still the subject of U.S. sanctions.

Blair, who is known for his "engagement" rather than "confrontation" approach, responded to written questions submitted by Congress on May 16. He repeated his often-stated support for re-engaging military relations with Indonesia and China. Military-to-military relations between the U.S. and China have been in limbo since Donald Rumsfeld became U.S. Secretary of Defense. The new outlook towards Myanmar, where Blair called for "a few effective connections with the newer elements of the military," will likely have a significant impact.

## **AFRICA NEWS DIGEST**

### **Qaddafi: Is NEPAD Western Trick To Recolonize Africa?**

Speaking at a welcoming ceremony for visiting President Thabo Mbeki in Tripoli over the June 15-16 weekend, Libyan leader Muammar Qaddafi voiced his skepticism about Western intentions with respect to the New Partnership for Africa's Development (NEPAD), the recovery plan being led by Mbeki and Nigeria's President Olusegun Obasanjo.

Qaddafi said: "It is quite difficult for an African man to believe that he will be treated on an equal footing by the colonizers and racists.... I don't believe they have changed their racist mentality. We fought them courageously although there was no balance between their weapons and ours. Yet they are still trying to colonize us. If there are common benefits, we are ready. There is no problem. But we will not be tricked easily. Africa is a giant which has woken up and broken its shackles. The time has passed for creating stooges." Qaddafi did pledge his support for the launch of the African Union, under Mbeki's chairmanship, in Durban in July.

After Qaddafi's address, Mbeki attempted to counter the accusation that NEPAD was a product of the West. "It is important to define for ourselves what we want for the African continent.... That is why we talk about the New Partnership for Africa's Development. We do not want the old partnership of a rider and a horse."

South Africa's June 16 Sunday *Times* wrote: "Mbeki's visit this week was critical to secure Qaddafi's support, as Libya is one of few African countries that can sponsor major projects on the continent." The report claims that Libya has recently made large contributions to Chad, Sudan, and Madagascar, as well as Zimbabwe.

## **HIV-AIDS Infection Rate Could Reach 60 Million in Five Years**

In a gruesome confirmation of Lyndon LaRouche's early 1970s forecast of global disease pandemics, the National Intelligence Council estimates that if trends continue, the HIV infection rate in Africa will double to 60 million in five years, according to the *Boston Globe* June 16. LaRouche forecast then, that the continuation of IMF/World Bank-style looting policies would create the conditions for the spread of old diseases, and the creation of new ones, that would threaten the continued existence of the human race.

The estimate by the National Intelligence Council (NIC), a division of the Central Intelligence Agency, highlights the countries of Nigeria and Ethiopia, which are now believed to have at least 10% of their population infected with HIV. This is similar to the history of the epidemic in South Africa in about 1993. South Africa now has an HIV infection rate of 20%, and Botswana, 43%. Nigeria and Ethiopia have now reached a critical point at which the epidemic will take off at geometric rates of increase, doubling in the next five years.

The report also warns of sharp increases in infections in India and China. Speaking on condition of anonymity, an official of the NIC said the epidemic is entering a "stage of substantial increases in size and scope." The NIC estimate is taken seriously by health officials worldwide, as their 1992 study, which estimated the spread of the epidemic, was the only one that came close to predicting its scope in Africa in the late 1990s, outside of the studies done by *EIR* in the late 1980s.

In the United States itself, death rates from AIDS are rising, as patients who had been kept alive by AIDS "cocktails" have become drug-resistant. The percentage of new cases resistant to the AIDS drugs, including AZT, usually used as the first course of treatment, is also increasing.

Two UN agencies released a report in early June, warning that 13 million lives are at risk *this year* in southern Africa from the combination of hunger, AIDS, tuberculosis, and other infectious diseases.

### **U.S. Congressional Subcommittee Eyes Angola Oil**

The U.S. Congressional Subcommittee on Africa held hearings June 10-14, on securing Angolan oil for the United States, working from the National Intelligence Council's Global Trends 2015 (issued December 2001), Vice President Dick Cheney's National Energy Policy Report, and a report of the African Oil Policy Initiative Group's (AOPIG) entitled, "African Oil: A Priority for U.S. National Security and African Development."

AOPIG is a consortium of policy makers and oil companies; the Jerusalem-based think tank that also operates in Washington, the Institute for Advanced Strategic & Political Studies (IASPS), run by Robert Loewenberg, Angelo Codevilla, William R. Van Cleave, and Alvin Rabushka, et al., is involved.

Subcommittee Chairman Ed Royce (R-Calif) has issued a statement calling for the application to Angola of the model just established in obtaining oil from Chad through the Chad-Cameroon Pipeline Project. There, "The government of Chad has agreed to earmark a large percentage of [its oil] revenue to spending on education, health, and infrastructure. Aggressive outside auditing of the oil books is planned." The World Bank is also involved. It looks as if the U.S. State Department, the oil companies, and the World Bank will effectively control Chad's economy.

Royce adds, "There appears to be a chance now to counter the Angolan government's pilfering of oil revenues, which has gone on for years."

The Royce Subcommittee also held hearings on Africa as a potential major oil producer in 2000.

## UNCTAD Blames IMF, World Bank for Growing African Poverty

A new report by the UN Commission on Trade and Development (UNCTAD), reveals that poverty is on the increase in 34 sub-Saharan countries. The UN agency blames this squarely on IMF and World Bank policies. The number of people living below the poverty line increased to a staggering 800 million this year in those countries. The UNCTAD report, released June 18, said the IMF and World Bank were responsible for the poor flow of aid and lack of debt relief to the majority of the countries, "thus increasing poverty levels." The report says poverty in those countries had doubled as a result.

Executive Director of the African Economic Growth Research Consortium, Delphin Rwegasira, quoted by the Kenyan daily *East African Standard* June 19, insisted that poverty reduction guidelines cannot be donor-oriented.

## This Week in History

### June 24-30, 1776

We turn our attention this week to the historical significance and setting of the Declaration of Independence, adopted by the Continental Congress of the American colonies on July 2, 1776, but finalized, and sent to the printer, on July 4, 1776. Seldom has there been a document of more far-reaching import than this Declaration, which sets forth the inalienable rights upon which the American Republic, and its Constitution, were based.

Is it possible there is anything new to say about this event? you might ask. Perhaps not, but the degradation of our culture today makes it crucial to underscore certain points that are generally obscured, if not denied.

First, it must be stressed that the Declaration of Independence represented a unique foundation for the establishment of a nation. Here was a group of men putting forth a set of principles, which amounted to a coherent concept of natural law, as the basis for a country. Rather than being bound by territory, or dynasty, or tribe, the new nation was being founded on an idea.

Second, because it was based upon a universal principle, the Declaration *immediately* had global significance, and was understood as both an inspiration, and challenge, to peoples throughout the world, immediately upon its publishing.

A speech by John Quincy Adams in July of 1821 powerfully expresses how republicans understood the Declaration, in its eternal meaning. "It was the first solemn declaration by a nation of the only *legitimate* foundation of civil government. It was the corner stone of a new fabric, destined to cover the surface of the globe. It demolished at a stroke the lawfulness of all governments founded upon conquest. It swept away all the rubbish of accumulated centuries of servitude.... From the day of this Declaration, the people of North America were no longer the fragment of a distant empire, imploring justice and mercy from an inexorable master in another hemisphere. They were no longer children appealing in vain to the sympathies of a heartless mother; no longer subjects leaning upon the shattered columns of royal promises, and invoking the faith of parchment to secure their rights. They were a *nation*, asserting as of right, and maintaining by war, its own existence....

"It will be acted o'er, fellow-citizens, but it can never be repeated. It stands, and must for ever stand, alone, a beacon on the summit of the mountain, to which all the inhabitants of the earth may turn their eyes for a genial and saving light till time shall be lost in eternity, and this globe itself dissolve, nor leave a wrack behind. It stands for ever, a light of admonition to the rulers of men, a light of salvation and redemption to the oppressed. So long as this planet shall be inhabited by human beings, so long as man shall be of social nature, so long as government shall be necessary to the great moral purposes of

society, and so long as it shall be abused to the purposes of oppression, so long shall this Declaration hold out to the sovereign and to the subject the extent and the boundaries of their respective rights and duties, founded in the laws of nature, and of nature's God...."

This statement brings us to the third major point about the Declaration, which should not be ignored. This document's adoption was a *strategic* move by the Founding Fathers of the United States, one that was undertaken in the face of an imminent British attack on New York City, and that provided a crucial rallying point for Americans in a war that was to last at least another five years. Indeed, there was a heated battle over whether independence should be declared, and only a continentally coordinated effort permitted it to happen.

One of the key actors was none other than John Adams. It was May 10, right after the British Navy had unsuccessfully moved to enter the Delaware River near Philadelphia, when Adams made his move. With Virginian Richard Henry Lee, he put forward a resolution recommending that the colonies assume all powers of government—to secure "the happiness and safety of their constituents in particular, and America in general." After this passed, right away, Adams put up a preamble for a vote. This preamble put the matter more starkly, concluding that "it is necessary that the exercise of every kind of authority under the said crown should be totally suppressed, and all the powers of government exerted under the authority of the people of the colonies, for the preservation of internal peace, virtue, and good order, as well as the defense of their lives, liberties, and properties, against hostile invasions and cruel depredations of their enemies."

The opposition in the Continental Congress went wild, but after heated debate, the preamble passed on May 15. As the news poured in that the British troop strength was growing, Lee and Adams took the next step. On Friday June 7, Lee made the following resolution:

"...That these United Colonies are, and of a right ought to be, free and independent states, that they are absolved from all allegiance to the British Crown, and that all political connection between them and the state of Great Britain is, and ought to be, totally dissolved."

In the debate that followed, there were many who claimed that the Congress should wait to hear from the people (!) before taking such a radical step. Others, such as Adams, Lee, and Virginian George Wythe, argued that the people were waiting for leadership, which the Congress must show. It was clear by that time, however, that the pro-independence grouping was ahead, and a Committee of Five, consisting of Thomas Jefferson, John Adams, Roger Sherman, Robert Livingston, and Benjamin Franklin, was appointed to draft a "declaration of independence," which was scheduled to be voted on, on July 1, 1776.

*(to be continued)*

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