

## Electronic Intelligence Weekly

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## THIS WEEK YOU NEED TO KNOW

### Amidst the Crises: The Time for Reason Has Arrived

Crises are exploding all over the planet, from Argentina to the Middle East, from Japan to Europe and the United States. Just as the strategic situation may appear to be at its most dangerous, with the threat of regional war in the Middle East which could go global, and with the worldwide financial/economic collapse accelerating, and a new outbreak of the "New Violence" in Germany, Lyndon LaRouche said over the past few days: "Rejoice! The time for reason has arrived!"

Why this paradox? Look at things from the vantage point of truth: Reality is hitting hard, and it is getting harder and harder to avoid. The illusions are falling away. That is good news.

Take, for example, the Bush Presidency, which is in total shambles. President Bush has not been in office for 15 months yet, and he is already on the verge of being a lame duck. This President is incapable of handling the mounting crises and the political blackmail being thrown against him by the Sharon/Likudniks in Israel, and the neo-conservatives and lunatic Christian "Evangelicals" in the United States. The President is paralyzed; Sharon knows this, Netanyahu knows this. They have a green light from Washington to do anything murderous that they damned well please. This is pure power politics.

A number of Arab world leaders are coming to Washington and Crawford to meet with Bush, to sound Bush out, and to possibly negotiate with him. While diplomacy demands that these meetings take place, these leaders should understand in advance, that nothing fundamental whatsoever can come out of these meetings under present circumstances. Saudi Crown Prince Abdullah, was reportedly well aware that nothing concrete could come out of his meetings with Bush and other Administration leaders last week; yet the meeting was important for him, to determine if it were possible to resolve conflicting pictures of the Administration, and in light of crucial decisions which will have to be made by the Arab leadership over the next few weeks. In advance of the meeting, he presented an eight-point plan to the White House which was all but thrown in the trash; not even Secretary of State Powell's staff was provided a copy by the White House.

But it were impossible for the Crown Prince to come out of the meeting with any sense of what the Administration's policy is—for the reason that there is no policy. As we advised our readers last week—the Bush Administration is behaving like a blind, deaf, and dumb Cyclops. It can't control anything. It has no master plan. It is dangerous, especially if you get underfoot, but it is not running anything. This is a vital point that must be understood, by citizens and world leaders alike: Bush is *not* sitting atop a vast, well-greased conspiracy to run the world. This is the gang that can't think straight.

Mexico illustrates the situation, in two important respects. First, take the recent incident around the UN Conference on Development in Monterrey in March, where President Vicente Fox urged Cuba's Fidel Castro to leave the conference before President Bush arrived—the primary reason for this pressure, being that Bush did not want to do anything to jeopardize Jeb Bush pulling in the Cuban-American vote in Florida. Nevertheless, both Fox and Bush had denied that any such pressure had been put on Fidel, and they implied that Castro had left the conference as a stunt. However, on April 22, Fidel played a tape of his telephone conversation with Fox, in which Fox told Castro he could attend a luncheon, but must

then "go back" to Cuba, or anywhere outside of Mexico, and Fox also urged him not to attack the United States or Bush. Fidel's disclosure left Fox and his Foreign Secretary Jorge Castaneda looking like fools—but the biggest fool of all was George W. Bush.

Secondly, Mexico provided a sound victory for reason on April 24, when the Mexican Senate decisively voted down the proposals for the deregulation and privatization of electricity promoted by Fox and the Party of National Action (PAN). This came one week after Lyndon LaRouche addressed (via electronic hook-up) an *EIR* seminar in Mexico City attended by approximately 100 officials from leading Mexican institutions; that event took place in the midst of the tour by LaRouche spokesman Harley Schanger and Nevada State Senator Joe Neal, who played a leading role in reversing energy deregulation in his state. In a meeting in the Chamber of Deputies building, attended by national press and at least ten Congressmen, Schlanger and Neal had presented the collapse of Enron as part of the systematic disintegration of the post-1971 neo-liberal economic model imposed on the U.S.—and they emphasized that this collapse is compelling U.S.-based cartels to seek out new sources of loot, such as they hoped to obtain through deregulation and privatization of Mexican energy.

Not only is this a victory for reason, but it as well represents another terrible defeat for Bush, following on top of the fiasco in Venezuela, the mess in Colombia—and of course the absolute collapse of the Bush Administration's Middle East "policy."

Domestic electoral considerations are also a significant factor in the Administration's Middle East bungling. Bush and his advisors may somehow believe, that with his giving a green light to Sharon, that a victory in November for Jeb Bush in Florida can be assured. They may even think they can win a landslide in the Congressional mid-term elections this fall. And, given the horrendous state of the Democratic Party, this is not impossible.

But there are many factors which can, and will, upset their calculations—especially the onrushing global financial collapse, as we see it playing out right now in Argentina, or Japan, or with the accelerating collapse of the U.S. dollar.

The situation in Argentina is so far out of control that it could be the spark that triggers the collapse of the whole global system. This is especially true, in the context of the advanced stage of crisis in Japan. Argentina has profound implications for Spain, and for the entire European Union (EU). The EU designated Spain as the leading country to run the looting of Ibero-America, so with Spain, particularly BBV Bank and Banco Santander, on the verge of a blowout, all of Euroland is facing a shock.

The only option for Argentina is a Chapter 11-type bankruptcy reorganization. A nation cannot be shut down, as might be done with respect to an insolvent firm. A nation must be kept functioning, with its government intact, and industry and agriculture continuing to operate and produce. The debt is unpayable anyway, so it must be set to one side and sorted out once the economy is back on its feet; the debt cannot be permitted to strangle the real economy. That is the only rational and realistic approach.

Just as the OECD is issuing a report claiming that the United States is leading the global economic recovery, the reality is that the telecom sector in the U.S. is collapsing faster than you can say "John Law." Notable among the past week's developments, was the announcement by AOL/Time-Warner of a \$54-billion loss for the first quarter, largely a write-down of the valuation of assets. Also we have AT&T reporting a \$12-billion loss of revenue, and almost a \$1-billion loss, during the first quarter. JDS Uniphase, one of the large fiber-optic equipment makers, reported a first-quarter loss of \$4.3 billion; and Viacom, the media conglomerate that owns CBS and MTV, posted a \$1.1-billion net loss for the first quarter. All of this simply reflects the reality of collapse of the "New Economy"—as LaRouche has accurately forecast, and others denied, to their own detriment.

At the same time, warnings are again surfacing—especially in Europe—about the U.S. dollar, as capital inflows into the United States, which have financed the enormous U.S. trade deficit, have started to collapse.

Yet another factor which threatens not just the U.S., but the entire global financial system, is the U.S. real estate bubble, pumped up to the limit by the mortgage-backed derivatives, which could explode at any moment. All the phony government statistics and the hype about the "recovery" cannot cover up the fact that the real estate bubble is the primary prop for the U.S. economy at this moment—something that Fed chairman Alan Greenspan implicitly admitted in his speech to the International Institute of Finance a week ago.

As Lyndon LaRouche has repeatedly emphasized, the decades-long collapse of the real economy of the United States in favor of "free-trade" and "New Economy" shibboleths, has been accompanied by a shift in the mentality of the population into a "consumer society," as opposed to a producer-oriented society, and an increasingly fantasy-ridden outlook, as typified by mass-entertainment, spectator sports, and computer games.

This cultural paradigm-shift erupts at certain moments in a much more violent fashion, as we saw once again with the shooting massacre in an Erfurt, Germany school on April 26. What happened in Erfurt was reminiscent of the Columbine high school shootings of 1999—after which Lyndon LaRouche and his associates and collaborators launched a high-profile campaign against the "New Violence," focussing particularly on the mentality, and the skills, involved in repeated exposure to Nintendo point-and-shoot video games; also quite relevant in this respect, is the "professional soldier" (mercenary) military model promoted by Samuel Huntington since the 1950s, which has taken over significant quarters of the U.S. military—i.e., the "body count" mentality.

In respect to the range of crises the world faces—economic/financial, the genocide in the Middle East, or teen-shooting massacres—the fundamental solution is the same: to dump the fantasy-inducing cultural paradigm shift of the past 35 years, and to return to reason. Fortunately, as reality hits, it may spur that process along, as that state of denial, in which much of the population resides, becomes so much more difficult to maintain.

## **FLASH!**

### **In the Wake of the Erfurt Tragedy, - - Return to Classical Education Now!**

*The following document was released April 28 in Germany by Helga Zepp LaRouche, chairman of the German political party Buergerrechtsbewegung Solidarität (Civil Rights Solidarity Movement) and Direct Candidate for the German Federal Parliament (Bundestag) from the Berlin-Mitte District. Zepp LaRouche, the founder of the Schiller Institute, is the of Lyndon LaRouche.*

All Germany has been shaken by the gruesome rampage of 19-year-old Robert Steinhäuser. His cold-blooded murder of 17 people has cast a spotlight on the fact that something in our society is completely out of kilter—indeed, something much more fundamental than this particular criminal act. The fact that Rainer Grube, the chief of police in Erfurt, announced that the police had found computer programs glorifying violence, along with videotapes featuring horror and violence, in the perpetrator's home, shows what is really at stake here: on the one hand, the general moral state of our country, and, on the other hand, the general acceptance of violence in our news and entertainment media.

On Feb. 20, 2000, at a conference of the Schiller Institute in Washington, I made a presentation on the topic of "The New Violence," in which I pointed out the indisputable connection between violence in the media—particularly in Nintendo video games—and the dramatic increase in violent criminal acts committed by young people. Long before the massacre at Columbine High School in Littleton was making headlines, the United States had been witnessing literally thousands of

cases of violence, and even murder, in schools and in residential neighborhoods, all committed by children and teenagers. And in virtually every single instance, a direct connection was found between this juvenile violence and the repeated consumption of violence-glorifying films, such as "Basketball Diaries," "Natural Born Killers," or killer videos such as "Doom." At that time, I called for an international campaign against these violent videos and films. I now renew that call.

It must be recognized that originally, killer videos had been used by the U.S. military for the training of new recruits. The experience of World War II had shown that only approximately 15% of all soldiers had been prepared to shoot at the enemy with the intent to kill. By means of computer simulation, this natural inhibition threshold was to be lowered, so that soldiers could be molded into blind executors of orders, in keeping with Samuel Huntington's idea of an imperial professional army. These computer games have been used for many years in the United States not only for the training of military and police personnel; they have also been used by commercial firms, for the "entertainment" of children, teenagers, and adults. In its training courses, the U.S. Marines used a version of "Doom"—precisely the same game which 14-year-old Michael Carneal had played in order to train himself to kill three girls in 1997 in Paducah, Kentucky, with accurate shots to the head—even though he had never handled a real weapon before that time. The murdered girls' parents have sued the producers of those films and videos for \$130 million in damages.

After decades of being inundated with ever more perverse, violence-glorifying Hollywood films and interactive violent computer games, it should hardly come as a surprise that official German statistics now report that 175,000 teenagers are "violence-prone." This is even less surprising, when one takes into account the public toleration of easy access to drugs in the schoolyard. Any society that permits all of this, shouldn't be surprised when what it has created, strikes back.

The massacre at Erfurt was merely the detonation of something that has been building up for a long time. Its pre-history goes back to a 1963 report commissioned by the UN's Organization for Economic Cooperation and Development, and authored by Dr. Alexander King, who was assigned to lay the groundwork for educational reform in the OECD nations, such as that carried out in Germany in 1970 under Chancellor Willy Brandt. In his report, Dr. King explained why the remaining holdovers from the Humboldt educational system, which were still being taught in Germany, for example, had to be expunged from the curriculum. The "educational ballast" of 2,500 years of European history had to finally go, he argued, and instruction had to be re-oriented toward narrow pragmatic social requirements.

The outcome of this educational reform is well known, and the recent results of the 2000 Program for International Student Assessment (PISA) only highlight facts that have long been clear: One-quarter of all 15-year-olds are categorized as a "risk group," whose knowledge of mathematics is insufficient to hold any job whatsoever. Forty-two percent have never read a book for pleasure. This result also means that many teenagers do not have even an inkling of Germany's Classical tradition, and that they cannot even recognize the names Lessing, Mendelssohn, Schiller, Heine, or Moerike—and the list could go on and on.

The Humboldt educational system was concerned not so much with the concrete content of education, as with the formation of the student's character, and with the achievement of beauty of character as the aim of all educational activity. And now that this goal has been so long neglected, with the schools no longer offering a Classical humanistic education: Where are our children and young people to find personal values in a society which is otherwise completely obsessed by mindless "pleasures," and whose adult population's predominant mind-set is rife with boundless egotism and social Darwinism?

We shall not overcome Germany's profound crisis, unless and until we immediately find our way back to Classical humanistic values. We need a curriculum that is oriented toward von Humboldt's idea of the perfecting of the individual—a curriculum which will assist in developing all of the student's innate capacities, and which will, at the same time, educate the student and make him or her into a citizen who has a deep concern for fostering the General Welfare.

If we want to prevent a repetition of tragedies such as what has just occurred in Erfurt, we need to return immediately to a humanistic educational policy. If you help to elect us, the BueSo, to the Bundestag, one of our very first agenda items will be to put that demand into action. Help our campaign!

## ECONOMICS NEWS DIGEST

### **Mexican Senate Votes Down Energy Dereg: Victory for LaRouche Movement**

One week after nationalist forces in Mexico took on the neoliberal policies of President Vicente Fox, by bringing in Nevada State Senator Joe Neal and Lyndon LaRouche's 2004 Presidential campaign Western States spokesman Harley Schlanger, to warn against the disastrous impact of energy deregulation in the U.S., the Mexican Senate voted down every initiative for privatization of electricity April 24, after a debate of more than four hours. Schlanger and Neal, who had also visited Mexico in 2001, were invited back by Marivilia Carrasco, chairman in Mexico of the Ibero-American Solidarity Movement (the LaRouche movement in Central and South America).

During the intense Senate debate, Sen. Manuel Bartlett of the PRI Party declared it "a victory for Mexico," while the PRI's Dulce Maria Sauri said the vote defines "the future of the country." It is clear that the LaRouche movement's interventions shaped the debate, especially LaRouche's frequent references to the U.S. Constitution's commitment to the "General Welfare," as the basis for all government policy: PRI Senator Genaro Borrego stated that what is at issue, "is the concept of a public service, and the essence of this is the right of all Mexicans to have electricity."

**There is other breaking news, indicating a paradigm shift in the energy privatization/dereg area. See below.**

### **Ontario Court Halts Privatization of Provincial Electric Transmission**

On April 19, Ontario (Canada) Superior Court Justice Arthur Gans handed down a bombshell ruling that there can be no sell-off of Hydro One—the owner of the provincial electric transmission system, and also 18 local utilities. Hydro One is government-owned, and the suit was brought by two unions, the Canadian Union of Public Employees, and the Communications, Energy and Paperworkers. The Justice ruled that the government has no legal authority to go through with the privatization of public assets, without legislative approval. The government is now scrambling to appeal and proceed anyway. The red-hot issue is causing reconsideration of the entire energy-deregulation process begun in the province in 1998, when government-owned Ontario Hydro started to be split up, for picking off by the "markets."

### **California and Ontario Face Electricity Shortages**

"What is likely to happen in 2004-05 could easily be a lot worse than the shortages of 2000," California Energy Commissioner Robert Laurie is quoted as saying by the *Times* of London of April 24. "It is logical to believe that the next step will be publicly owned power," he added. Laurie points to the fact that private energy companies have stalled on building new (natural gas) generating plants. In 2004, California will be in a crunch in which demand exceeds supply; the state already gets 25% of its electricity from out-of-state. Local jurisdictions and the California Power Authority may have to build and run generating plants.

In Ontario, Canada, the Independent Electricity Market Operator, a provincial government agency that oversees the power market, issued a report earlier in April warning that Ontario is at risk of energy blackouts over the summer months. The IMO warns that over the next 18 months, there will likely be periods of "negative reserve margins" of electricity, a phenomenon which could hit as early as June. In July, the IMO figures reserve capacity at 16% of total capacity needed for reliability, but there will likely be only 11.5%. Depending on the weather and other factors, there may be no shortages, but

it's now a gamble.

### **Enron Continues To Disintegrate: Assets Going, Going...**

Enron's assets are worth only half the \$50 billion it reported when it filed for bankruptcy Dec. 2, according to a filing made on April 22 with the Securities and Exchange Commission. Enron said \$14 billion in assets would have to be written off the balance sheet, with a "substantial majority" due to the bankruptcy, and a "material portion" due to "possible accounting errors or irregularities." And the company identified further "potential downward adjustments" of \$8-10 billion in the value of hedges against its energy trading.

"No party should rely on any previously reported financial information of the company prior to the commencement of Chapter 11 cases, nor should any reader of this operating report place undue reliance upon the information contained herein," Enron warned in the SEC filing.

### **Telecom Meltdown: Leading the Way into the Virtual Recovery**

Following the gloomy report by its Finnish competitor Nokia, the Swedish telecom equipment producer Ericsson, the world's biggest producer of mobile-phone networks, this week announced a further 40% meltdown of orders during the first quarter 2002. But it is not just European telecoms.

\* Lucent, the biggest U.S. maker of telephone equipment, will cut about 6,000 more jobs, or 11% of its workforce, and said it does not see a return to profitability any time this year. Sales fell by 40% in the second quarter, to \$3.52 billion, from \$5.91 billion a year ago, leading to a \$495-million loss—the eighth straight quarterly loss.

\* WorldCom, the second-largest U.S. long-distance telephone company, saw its shares tumble 33% to the lowest level in almost a decade, after cutting its sales forecast for 2002 by \$1.6 billion, and warning that earnings would be \$1.4 billion less than expected. Standard & Poor's cut its short- and long-term credit ratings on \$30 billion of WorldCom debt, and several brokerage firms downgraded their ratings on WorldCom stock; Credit Suisse First Boston slashed its rating to "sell."

\* Avaya, a provider of voice and data networks spun off by Lucent in 2000, had a net loss of \$63 million in the second quarter, as sales fell by 31% compared to a year ago.

### **Dramatic Shifts in Patterns of Farm Output: 'Global Sourcing' Ushered In**

As this is being written, a conference committee of the U.S. Congress—after years of bad policies ("free trade, "freedom to farm," etc.) which have destroyed the agricultural economy—is expected to agree on some kind of relief.

Meanwhile, dramatic shifts are taking place in patterns of farm output, food-processing, and trade flows, connected to cartel repositioning and profiteering: The European Union is importing more and more grain from "cheap" non-EU sources; the world soybean production and export center is shifting to "cheaper" sources, such as Brazil and Argentina, and away from the USA; more U.S. meat and dairy supplies (not just fruits and vegetables) are coming from "cheaper" import sources.

\*SOYBEAN PRICES AT 20-YEAR LOWS. As of 1990, the U.S. produced about 53 million tons of soybeans a year; and South America (mostly Brazil and Argentina) about 26 million tons. In 2001, the U.S. output had increased to 76 million tons, with South American output also reaching 75 million. Infrastructure has been built up accordingly for shipping,



processing, and exporting. Soybean prices to the farmer have been hovering at 20-year lows (around \$4.60 a bushel in the U.S.). To try to survive, some U.S. farmers are exploring plans to commute between cropping in Brazil and the United States.

Some Iowa farmers are cropping soybeans six months of the year at home, and six months in the U.S., as a way of "adjusting" to globalization. In recent years, U.S. "family-farm" operations, have grown tremendously, in order to become more "cost-effective," such that some farmers operate on acreage in several counties, and across state lines. Now, farm families are going even bigger: Reports from southeastern Iowa farm sources indicate that several big grain farmers cropping 2,200-5000 acres already, are exploring purchase and rental of farmland in Brazil, and will fly back and forth, spending six months in Brazil and six months at home, raising soybeans continuously.

**\*EU GRAIN IMPORTS SKYROCKET.** The European Union (EU), the world's second-biggest grain producer, is now importing more grain than it is exporting, for the first time in decades. Just between August 2001 and April this year—nine months—imports were 6.5 million tons, compared to an average of 2.5 million tons *per year* in previous years—an increase of 260%. A speaker of the European Commission commented that farmers in member-states might be interested in higher prices, but "they must understand the Commission's interest in low prices." Farm organizations characterize the situation on the grain market as "a catastrophe"; prices are way below the minimum limit of 156 euros as defined in the GATT agreement, and the market is stuck.

**\*ARCHER DANIELS MIDLAND EARNINGS UP 26%.** Revenue in the third quarter was up \$5.33 billion for ADM, the largest soybean processor in the world.

**\*'OFF-SHORE' SOW FACTORIES.** Smithfield of Virginia, the world's largest meatpacker, has set up "off-shore" sow factories in Brazil, Canada, Poland, and elsewhere, for cheap sources of export product. Smithfield and the other cartel packers (Cargill, ConAgra, Tyson/IBP, ConAgra, etc.) have decreed that if Congress passes a farm law limiting their U.S. operations, they will move abroad. "Packers Set To Sail," was the title of the April *Farm Journal* article.

**\*FARMLAND NEAR BANKRUPTCY.** Farmland Industries Inc., the biggest U.S. farm co-op, which operates through 1,700 local co-ops dealing in fertilizer, fuel (propane, diesel), grain, chemicals, etc., with an annual level of revenue in the range of \$11.5 billion, is near bankruptcy. Farmland reported in its April 15 filing with the Securities and Exchange Commission (SEC), "Our liquidity is significantly limited. We could be required to seek protection from creditors in order to resolve our liquidity problems." In February this year, Farmland got a \$150-million two-year loan, and a \$350-million credit line, from a group of banks (Rabobank Nederland, U.S. Bancorp, Cobank ACB, Harris Trust and Savings—a unit of Bank of Montreal), led by Deutsche Bank AG. Farmland may not be able to make the first payment of \$10 million, due on May 31, in which case, the co-op goes into default on both loans.

Since 1998, some 300 farm co-ops have been forced out of business by the worsening economy. Co-ops were first formed in the 1930s, when farmers set them up to share in profits from joint marketing and purchasing of goods.

## **Bloated Housing Market Set To Implode; Sink U.S. Economy**

The imminent blowout of the huge U.S. real-estate bubble, could sink the U.S. economy and financial system virtually overnight. The bloated housing market has been built up, especially since 1995, by pyramiding mortgages, and derivatives based on those mortgages, while liquidity came pouring in from the Federal National Mortgage Association, commonly known as Fannie Mae.

On April 13, Democratic 2004 Presidential pre-candidate Lyndon LaRouche explained how this worked: "Think of the houses themselves as virtually mere packaging material, wrappings whose most significant function is to conceal, rather

than reveal, the purely illusory physical basis for the recent spiral of seeming inflation in prices and mortgages. When you then consider the degree to which the inevitable collapse of the entire U.S. monetary-financial system has been postponed by, chiefly, the margin of fictitious financial gains in this real-estate/mortgage market, the extraordinary significance of Alan 'Bubbles' Greenspan's real-estate inflation in masking, temporarily, the underlying, worsening rottenness of the U.S. economy as a whole" is brought to light.

Now, with their obsession to delay, if only by an hour, a day, a week, the inevitable crash, Wall Street and Federal Reserve chairman Alan Greenspan have turned what once was "the American Dream" of home ownership, into a mortgage-based instrumentality to make home prices and mortgages rise, to keep the bubble growing (see below). In 1995, the collective value of all U.S. households' homes stood at \$7.630 trillion. This was escalated to \$9.954 trillion in 1999, and to \$12.038 trillion at the end of 2001. This represents an increase in the collective value since 1995, of \$4.408 trillion. Nearly all of this increase is fictitious.

The housing bubble has also been the basis for the consumer-driven "recovery," as the inflation in home "values" has allowed households to leverage cash from the imputed value of their homes, in order to spend that cash on "consumer purchases." Homeowners spent more than half of all home equity loans not on home improvements, but on paying down credit cards, buying new cars, etc.

When this bubble bursts, and there are already indications that it is leaking, home prices will fall by 25-50%. Trillions of dollars in fake real-estate valuations, which Greenspan built up over years, will disappear, taking with them the U.S. financial system.

### **Greenspan Proclaims: Dereg, Derivatives Have All But Ended Business Cycles**

Speaking to the Institute of International Finance (IFF) via videoconference, Federal Reserve Board chairman Alan Greenspan stated April 23, "If the indications that the contraction phase of this business cycle has drawn to a close are ultimately confirmed, we will have experienced a significantly milder downturn than the long history of business cycles would have led us to expect.... The obvious questions are, what has changed in our economy in recent decades to produce such resilience, and will these changes persist into the future?"

After promoting "access to real-time information," Greenspan warmed to what he believes are the two main factors which effected the "positive" changes: deregulation and derivatives: "The apparent increased flexibility of the American economy arguably ... reflects the extent of deregulation over the past quarter of a century." Then, "Certainly, if the energy sector were still in the tight regulatory fetters of the 1970s, our flexibility today would be markedly less. That the relatively recently developed [deregulated] markets for natural gas and electric power endured the Enron collapse without significant disruption was encouraging." This stands reality on its head: Deregulation was the driving force of the Enron speculative bubble!

"I need hardly remind this audience, Green-Spin-Doctor continued, "that one especially potent force for enhancing economic flexibility and resilience arguably has been the combination of deregulation and innovation in the financial sector [derivatives].... [Due to derivatives,] shocks to the overall economic system are accordingly less likely to create cascading credit failure."

Greenspan heaped special praise on the securitized instruments in mortgage-based derivatives that Fannie Mae et al. are spreading to prop up the housing and credit-card bubbles: "A major contributor to the dispersion of risk has been the wide-ranging development of markets in securitized commercial and residential mortgages, banks loans, and credit card receivables."



Greenspan emphasizes that "as a consequence" of all the different derivatives products, economic "cyclical episodes overall should be less severe than they otherwise would be."

While the Chairman admits that the high level of leverage in the economy could pose a problem, he also attacks the policy of what he calls "subsidies" to government-sponsored enterprises, referring to Fannie Mae and Freddie Mac. By this he means that because Fannie Mae and Freddie Mac have an implied U.S. government backing, they can borrow more cheaply when they borrow funds. But Greenspan is in agreement with a group that includes the *Wall Street Journal*, which favors a policy of having Wall Street financial institutions, rather than Fannie Mae, issue the same speculative, mortgage-backed securities derivatives, but on a so-called "private basis."

"Bubbles" Greenspan concludes his speech by praising the Commodity Futures Modernization Act of 2000 and the Gramm-Leach-Bliley bill as models: The former exempted energy derivatives from regulation; the latter overthrew Roosevelt's landmark 1933 Glass-Steagall legislation regulating the banks.

### **Indonesia's De Facto Debt Moratorium Shows Global Financial Collapse**

The international banking community could not openly admit it, but Standard & Poor's lowering of Indonesia's sovereign credit rating to "selective default" came after what was, in effect, a debt moratorium. The rating downgrade was expected, as a consequence of the news, reported last week, that the Paris Club of government creditors granted Indonesia a debt moratorium, although carefully avoiding the use of that term, and the additional news that Indonesia's private bank creditors are expected to follow suit. The "restructuring of both principal and interest" on over \$5 billion in debt due over the next 18 months, granted with little publicity, is a clear decision by the IMF-centered interests to prevent Indonesia from undergoing an Argentina-style collapse at this time.

The fact that there is still only a trickle of foreign investment, and a continuing flood of flight capital, would suggest that the Paris Club decision does not indicate any delusions that there is a solution to the massive debt crisis in Indonesia, but does indicate they are not willing to pull the plug at this time. Dorodjatun Kuntjoro-Jakti, the Coordinating Minister of Economic Affairs, released a statement saying that the Selective Default rating is "technical and temporary," and that Indonesia expects an upgrade as a matter of course in the near future.

Indonesia has accepted and implemented several IMF conditions, regarding privatization, cutting subsidies, and other matters, over the past year. Nonetheless, it is obvious to the rest of the world's indebted nations that the open declaration by Indonesia, ahead of the Paris Club meeting, that it could pay neither principal nor interest, led to the debt moratorium. This declaration leans in the direction of Lyndon LaRouche's advice to these nations, to use the debt weapon—i.e., that circumstances have reached the point where the impact of defaults by sovereign nations will be more devastating to the lending nations than to the debtors.

### **Indonesia Plans To Step Up 'People Exports'**

Jakarta is planning on following the Philippines, by setting up a special agency to help export workers abroad, in an effort to increase foreign-exchange earnings annually, according to *The Star* of April 21. Foreign exchange earned last year from sending 738,000 workers abroad amounted to \$1.1 billion. The target for 2005 is \$5 billion.

The dimensions of "people exporting" could be several magnitudes greater than in the Philippines, however. Indonesia has a population of 215 million, with 35-40 million unemployed, and an additional 2 million entering the labor force annually. The Philippines' total population is approaching 70 million.

## **Disparity Grows Between Wealthiest 20% and Poorest 20%**

Census Bureau data cited in reports from the Center on Budget and Policy Priorities and the Economic Policy Institute, both covered in the April 24 *New York Times*, show a growing disparity between the incomes of the wealthiest 20% of Americans and the poorest.

From the late 1970s to the late 1990s, the income disparity between the lowest 20% and the highest 20% of family income brackets, has increased in 44 of the 50 states. In five states—Arizona, California, New York, Ohio, and Wyoming—inflation-adjusted income among the bottom 20% of households actually fell over this period, while it rose rapidly among the top 20%.

In New York, for example, average income in the bottom 20% of households fell by about \$800, or about 6%, over the 20 years, to about \$12,600. During the same period, average income among the top 20% of households rose by about \$57,000, or 54%, to about \$162,000. This meant that by the late 1990s, the average income of the top fifth of households in New York was nearly 13 times that of the lowest fifth, up from eight times as much 20 years earlier.

## **Debt Levels Rising Sharply Among America's Elderly**

For Americans ages 65 and older, the average debt per household has risen from \$7,690 in 1992, to \$20,302 in 2000, according to SRI Consulting Business Intelligence. While half of the \$20,302 represents first-mortgage debt on primary homes, most elderly have already paid off their homes; the remaining half of the \$20,302 in debt represents debt that the elderly have taken out to survive.

This corresponds to an increase in the number of bankruptcy filings by elderly Americans. In 1991, some 23,890 older Americans filed for bankruptcy; in 2001, some 82,207 older Americans filed for bankruptcy—an increase of 244%.

The deterioration in income, and the inability to cover medical expenses, is a combination that strikes senior citizens very hard. According to the Consumer Bankruptcy Project at Harvard University, nearly half of the elderly who filed for bankruptcy say they did so because of medical costs or reasons. Take the case of Duane Allen, 68, and his wife Linda: After four surgeries within three years, they racked up about \$15,000 in medical bills. Unable to pay them outright, they put them on a credit card. Now they are seeking debt-counselling to see how they can handle the debt.

It should be recalled that for 44% of all elderly, Social Security is their primary source of income; for another 30% it is a major part of their income. And Social Security represents a very limited sum of money.

Further, out-of-pocket health-care expenses for the elderly increased nearly 50% from 1999 to 2001, according to a report by the Commonwealth Fund. The costs are likely to go up as more employers (like the steel companies) eliminate retiree health benefits, which typically provide supplemental drug coverage.

# **UNITED STATES NEWS DIGEST**

## **DeLay, Daschle, McCain Foam at Mouth at AIPAC Conference**

More than 4,000 members attended the American Israel Public Affairs Committee (AIPAC), along with one-half of the U.S. Senate and about one-third of the House of Representatives, according to an AP wire on the conference, which was held April 21-22 in Washington, D.C. Congressman Tom DeLay and Senators Tom Daschle and John McCain gave

wildly—hair-raisingly—partisan speeches, as reported below.

Two major themes dominated the gathering this year, the primary one being that Yasser Arafat is orchestrating the suicide bombers and should no longer be concerned a partner in the peace process. The second theme was that the U.S. is the only power that has a "right" to be involved in the Mideast negotiations, with the UN and the Western European countries dismissed as being dominated by the Arab countries, or anti-Semitic, or both.

Although President George W. Bush was praised as "our man," members of his Administration who attempted to defend any part of Administration policy that was not in line with the Likud Party line of Israeli Prime Minister Ariel Sharon and former Prime Minister Benjamin Netanyahu were met with derision and scorn. The same happened with a representative of the European Union who tried, at one forum, to explain the position the EU has taken. Most of the speakers at the conference referred to the recent synagogue burnings and bombings in Europe, and attacks on Jews, as a revival of anti-Semitism in the continent of the Holocaust.

White House Chief of Staff Andy Card addressed the gala evening panel, making the usual comments about the strong U.S.-Israeli alliance, stressing the need for Arafat to break with terrorism and the need to move toward negotiations in the peace process. He emphasized that the Administration wanted "to help all the children of Abraham." He got a cordial reception (unlike Deputy Defense Secretary Paul Wolfowitz's recent reception by a pro-Israel rally at the Capitol; there, Wolfowitz, as Administration spokesman, was booed when he insisted that Palestinian suffering too must be recognized). Card left the conference right after speaking; not so White House press spokesman Ari Fleischer, who didn't speak, but was present throughout.

The high point of the evening was the speech by Netanyahu (see [INDEPTH](#)).

**House Majority Whip Tom DeLay (R-Texas) gave a wild-eyed speech, as did Senate Majority Leader Tom Daschle (D-SD) and the Senate's very own "Manchurian candidate," John McCain (R-Ariz).**

DeLay declared that Arafat is evil and must go, and that any criticism of Israel is equivalent to supporting terrorists, in which context he slammed European criticism of the Israeli invasion of the West Bank. "Americans and Israelis are allies in the historic battle between liberty and tyranny." "All free men and women must rally to the defense of Israel. We must denounce the vile culture of death that menaces our ally. We need to remind the world at every opportunity that these regimes are not morally equivalent and America sides with liberty."

Of Arafat, DeLay said, "If a man's life's work has been spent fomenting, orchestrating, and directing the slaughter of innocent people, that man is, by his very evil and corrupted nature, beholden to terrorism. And democracies must not negotiate with terrorists.... Any state or movement connected with terrorism cannot be considered legitimate, regardless of the underlying cause or grievance.... If homicide bombers are allowed to succeed in Israel, every free society will eventually fall victim to the same evil tactic."

As for a possible peace settlement involving Israel's return to its 1967 borders, DeLay asserted that "the people of Israel can't be expected to make territorial concessions that render their state inherently indefensible." DeLay made clear he favors the Greater Israel concept of Sharon and Netanyahu, saying that he has stood on the Golan Heights and looked around, and that what he saw was not occupied territory, but Israel.

In a slightly lower pitch, Tom Daschle declared that U.S. backing for Israel must remain "absolute," and accused European, Arab, and United Nations officials of anti-Semitism and unfairness toward the Jewish state. "As long as I am Majority Leader of the United States Senate, we will be a friend to Israel in fair weather and in foul." He called on Arafat to stop the culture of incitement, and criticized the UN for failing to condemn rocket attacks on Israel by Hezbollah guerrillas in

southern Lebanon, even though Israel had complied with UN Security Council Resolutions and withdrawn from southern Lebanon.

John McCain, the GOP's 2000 Presidential "Manchurian candidate" and Sen. Joe Lieberman's partner in pro-Sharon blackmail against President Bush, delivered the closing speech on Tuesday morning, April 23. He reportedly spoke to the AIPAC delegates at the Jefferson Memorial, just before they boarded buses to Capitol Hill for a day of lobbying on behalf of the Delay-Lantos bill to close the Palestinian Authority offices in Washington if Arafat doesn't reject terrorism, a second bill to reimpose sanctions on Syria, and a resolution to affirm Israel's right to defend itself.

McCain reiterated his call for an American invasion of Iraq to overthrow Saddam Hussein, blasted every Arab monarchy as undemocratic and tyrannical, and held Arafat solely responsible for the destruction of the Oslo peace process. He promoted the Brzezinski-Huntington Clash of Civilizations, ranting, "It is the unenlightened rule of Arab dictators, not the plight of the Palestinians, that condemns the Arab world to the civilizational crisis in which it finds itself."

McCain assailed Europe for focussing attention on the Israeli invasion while "dismissing Israel's legitimate security concerns," and joined with AIPAC's British intelligence controller, Dr. Bernard Lewis (son Michael Lewis is the head of AIPAC dirty tricks), in declaring that the Oslo peace process was founded on a fundamental error: "The Oslo peace process was premised on the notion that Israelis and Palestinians could live together. I believe it is now time to explore ways in which they can live apart."

McCain declared himself heir to the godfather of the rightwing Zionist Lobby, the late Democratic Senator Henry "Scoop" Jackson of Washington State. "To be proudly pro-American and pro-Israel is not to hold conflicting loyalties. As Scoop understood, it is about defending the principles that both countries hold dear."

### **Administration Strains Saudi-U.S. Relations to Breaking Point over Peace Proposal**

Saudi Crown Prince Abdullah brought an eight-point peace proposal to stop Israeli genocide to the table in his summit meeting with President George W. Bush in Crawford, Texas April 25, but White House handling of the Abdullah visit is straining Saudi-U.S. relations to the breaking point. On Saturday, April 27, after Ariel Sharon rubbed George W. Bush's face in the dirt by mocking his demand for "withdrawal" from the West Bank with more attacks, the *New York Times* leaked a report about how Bush had *excluded* Secretary of State Powell from any preparation of a joint Abdullah/Bush communiqué, and put the writing in the hands of pro-Sharon neo-conservative lunatics.

The *Times* report said that on Tuesday, April 23, the Crown Prince had submitted, in writing, a new eight-point peace proposal, updating the plan he presented to the Arab League summit, to take into account the continuing Israeli genocide inside the Palestinian territories. The report was given to the White House with enough time for Bush to study it before the Crawford meeting. On April 26, in a post-summit briefing, White House press spokesman Ari Fleischer acknowledged that the plan had been submitted, though neither government has made an official copy public.

The Crown Prince Abdullah document called for: 1. the immediate and complete withdrawal of the Israeli troops from the West Bank areas recently occupied; 2. an end to the Israeli military siege of Ramallah; 3. the deployment of an international force; 4. the reconstruction of the infrastructure of the Palestinian Authority and the territories, destroyed in the Israeli assaults; 5. a renunciation of violence by all sides; 6. the immediate initiating of political talks, with no security preconditions; 7. an end to Israeli settlements; and 8. implementation of United Nations resolution 242, calling for the Israeli withdrawal to the 1967 borders. American and Arab diplomatic sources told *EIR* that these measures are widely known to coincide with Powell's own recommendations for ending the Israeli stalemate—including the deployment of a peacekeeping force to the region.

But, after Abdullah got the document to Bush, the White House staff prepared a proposed joint-statement in response, making it available to the Crown Prince prior to the meeting with Bush. Not only did the White House draft *not* mention the new Saudi peace initiative, but it in fact misrepresented the proposal that Abdullah made in Beirut to the Arab League! The Saudis were furious, and contacted aides to Powell to protest the draft, only to find that Powell had not even *seen* the White House document. The Saudis faxed him a copy, but the significance of Powell's not having been consulted was not lost on the Crown Prince and his top aides.

When Abdullah met with Vice President Cheney on Wednesday, according to the *Times* account, "a New York fire brigade" could not have quenched Abdullah's anger. The next morning, Cheney flew to Crawford to brief the President, prior to the Bush-Abdullah meeting.

### ***Wall Street Journal's Resident Liberal Warns Against U.S. Unilateralism***

Al Hunt, a regular columnist for the *Wall Street Journal*, had an op ed piece ("U.S. Can't Go It Alone") in the *Journal* April 25, pointing out that a unilateral U.S. war against the "axis of evil" would force a total break with both Western Europe and the Arab world. Even Britain's Tony Blair would find it difficult to stay with President Bush in the face of growing European resentment of America's pro-Sharon policy in the Mideast, he argued.

Of greatest significance, the article quoted Brent Scowcroft, who was National Security Adviser to former President George H.W. Bush, remains very close to the former President, co-authored a book with him on foreign policy, and now heads the President's Foreign Intelligence Advisory Board, or PFIAB.

Scowcroft warned that American unilateralism is a prescription for trouble: "American power alone is simply not sufficient. If there is sullenness about U.S. policy around the world, much less opposition, there will be great friction to get anything done ... we will be like Gulliver and the Lilliputians."

In discussing the issue of Mideast policy, Hunt cited the Sharon-led slaughter of Palestinian refugees at Sabra and Shatila in 1982 as a turning point in Mideast history. European opinion, after those massacres, turned decidedly anti-Sharon, while remaining pro-Israel. "All of which makes President Bush's repeated claims that Mr. Sharon is 'a man of peace' ring hollow to people elsewhere," Hunt wrote. Bush has been in retreat from his balanced approach to Mideast peace of several weeks ago, charged Hunt.

Again quoting Scowcroft, Hunt described Powell's doomed mission to the Mideast as "debasing American leverage. Secretary of State Powell was sent over there without any arrows in his quiver."

Hunt concluded with a strong message to President Bush: "Whether the subject is the Middle East or the need to curb weapons of mass destruction or the need to fight terrorism, it's indisputable that those threats cannot be combatted unilaterally. We still need friends and allies."

Lyndon LaRouche assessed that the Scowcroft statements reflect the elder George Bush's worries that George W. Bush is falling victim to his own follies, and could self-destruct unless cooler heads prevail.

### ***National Endowment for Democracy Caught in Chavez Coup Plot***

According to an April 25 piece in the *New York Times* ("U.S. Bankrolling Is Under Scrutiny for Ties to Chavez Ouster," by Christopher Marques), Project Democracy's National Endowment for Democracy, whose president is former ADL "snitch" Carl Gershman, has been caught funding key institutions in the abortive coup to oust Venezuelan President Hugo Chavez.



Within the last year, the NED, which played a major role in Ollie North's Project Democracy, has funnelled \$877,000 to organizations in Venezuela seeking "democratic change" of the Chavez regime.

Now, an additional \$1 million to the NED for similar activities in Venezuela is on hold, at the request of the State Department's Human Rights Bureau. Of particular concern in previous grants was \$154,377 given by the NED to the AFL-CIO and thence funnelled to the Confederation of Venezuelan Workers, whose general strikes galvanized opposition to Chavez. The union's leader, Carlos Ortega, worked closely with the five-hour President of Venezuela, businessman Pedro Carmona Estanga, in the coup attempt.

Also, the NED-affiliated National Democratic Institute for International Affairs, whose leaders include Madeleine Albright, was given a \$210,500 grant to promote "democracy in Venezuela." And its sister institution, the International Republican Institute, which has an office in Venezuela, received a grant of \$339,986 for similar operations.

The Marques article made clear that "the Bush Administration, which has made no secret of its disdain for Mr. Chavez—and his warm relations like Cuba and Iraq—has turned to the Endowment to help the opposition to Mr. Chavez."

### **Al Gore Comes Back Swinging; Other Democrats Wincing**

At the grotesque Democratic Party state convention in Florida April 13-14 (addressed by all sorts of potential 2004 Presidential candidates, including Senators Joe Lieberman of Connecticut, John Kerry of Massachusetts, and John Edwards of North Carolina), the *pièce de résistance*, sort of, was Al Gore, making his highest-profile speech since he stalked off the political stage at the end of the year 2000.

Determined not to be outflanked in the opinion polls, Gore supported Bush's "war on terrorism," but slammed the Administration on domestic and economic policy, including making the absurd claim that "I don't care what anybody says, I think Bill Clinton and I did a damn good job with the economy." Nonsense: The 1990s saw the growth of an enormous, economy-devouring financial speculative bubble which began to burst while Gore and Clinton were still in office, in 2000, and whose effects are being felt ever more profoundly, in the continuing collapse of the American economy.

Although Gore got a more or less rousing welcome in Orlando, a Gallup poll for CNN and *USA Today* shows the national Democratic Party sharply split, with 48% saying Gore should not run again, and only 43% saying he should.

Gore was in evidence again for Earth Day, with a *New York Times* column April 21 retreading the global-warming hysteria of his book *Earth in the Balance*, and attacking the Bush Administration for its energy and environmental policies.

He followed up April 22 at Vanderbilt University, where he attacked the Administration with environmental statistics infected by the chronic Gore disease of exaggeration and distortion. The April 23 *Washington Post* editorially blasted him for not having gotten over his problem of lying.

### **'Central North America Land Bridge Corridor' Discussed in South Dakota**

Over the period April 20-23, Hal Cooper, Seattle-based transportation consultant, visited South Dakota for public events of the LaRouche in 2004 campaign hosted by South Dakota LaRouche leader Ron Wieczorek. Cooper released a new study, the "Central North America Land Bridge Corridor for the Integrated Transportation, Energy and Water Line between North Dakota and Texas in the Great Plains States."

On April 11, Cooper was interviewed by Marcia Merry Baker; excerpts appear here.



\* \* \*

*Baker:* Mr. Cooper, let's start with geography. What is so desirable about your Corridor route?

*Cooper:* Well, this particular corridor, going from North Dakota to Texas, if you are going in a trans-continental system from Alaska to Central America, this is the most direct geographic route.

*Baker:* How long in the United States?

*Cooper:* Approximately 1,600 miles.

*Baker:* What about the terrain, the elevation profile? No higher than the Appalachians?

*Cooper:* It's approximately 3,200 feet at the highest elevation, which is near Colby, Kansas, and the lowest elevation is about 800 feet at the Rio Grande River, at Eagle Pass, Texas. It goes through relatively level and gentle terrain, which is largely plains; and, of course, it's the middle of the agricultural farming belt of the United States in the Great Plains.

*Baker:* So it would cross some of the rivers flowing west to east, in the Mississippi Basin?

*Cooper:* That is correct. And of course, it parallels the Missouri River for quite a long distance, in North and South Dakota.

*Baker:* Then there is point of "geo-engineering"—if you have all this infrastructure developed, you could upgrade land resources, instead of mining the land, and speculating and creating sprawl, as in the Red River Valley, and points in Minnesota?

*Cooper:* That is correct. It would enhance agriculture, and one of the things that could occur is the re-location of industry back into the United States, that has been sent overseas; that now that we have this increased problem with terrorism, it really would be better if we had our basic manufacturing industries in the United States—which means, of course, that we are not only expanding infrastructure, but our employment and our economic base.

## **High-Tech Energy**

*Baker:* On the matter of energy supplies, there is proximity of coalfields—where coal could be more used near its source, instead of hauled thousands of miles?

*Cooper:* That's exactly right. There are coalfields in Iowa, in Kansas and Missouri, that could be utilized; and of course, in New Mexico, Colorado and Wyoming on the other side. There is a very extensive lignite belt in North Dakota. This corridor would go right on the eastern edge of—past two of the major power plants.

*Baker:* Eventually, you would say, that to get into the modern era, we would be electrifying the rail?

*Cooper:* Yes. To make the railroads electric, utilizes some of the output from the power plant, and it would go in parallel to a water pipeline, which would utilize a very large amount of electricity to move the water from within this particular

region. It would alleviate the need to import oil for transportation; and make it more feasible from a number of standpoints.

*Baker:* What about the place of nuclear power?

*Cooper:* I suggest two very specific nuclear projects on this corridor, because the corridor goes very close to the Pantex nuclear weapons assembly plant, near Amarillo, Texas, and that facility has been downgraded from its previous purpose, which was to assemble nuclear weapons. But there is a large amount of plutonium, and highly enriched uranium at that site, which could be utilized for the fuel rods for nuclear reactors. Then the material would be burned up and converted into useful energy, and not have to be stored at the Yucca Mountain facility. There is a very large amount of material that could be utilized for nuclear fuel.

Separate from that, farther to the south, near San Angelo, Texas, there's a very large saline water aquifer that's under pressure, called the Coleman Junction Aquifer. I could see the proposal of Mr. LaRouche for one of these large nuclear desalination facilities there. It would not only produce energy for this corridor, but it would provide a great deal of fresh water for a very parched area of Southwest Texas. Right now, the cities in that area are going out and buying up whatever water rights there are, and then there's no water left for the farmers. This would help alleviate that problem, in an area that basically is a desert.

## **Farm Bill Stalls in Conference**

House-Senate negotiations on a new farm bill stalled amid disagreements over a number of its provisions and growing costs due to continuing low commodities prices. The impasse prompted Sen. Pat Roberts (R-Kans) to propose calling off the conference negotiations and passing a one-year agriculture relief bill. He told the Senate on April 17, "It is too late to pass a bill that applies to this year's crop," since none of the assistance in the bill will get out to farmers before the spring of 2003. Roberts said that, as soon as it is feasible, he will ask unanimous consent to call up the relief bill that he introduced earlier in the year or, if that fails, he will call it up as an amendment to "any bill" being considered by the Senate.

## **Border Security Bill Sails Through Senate**

The Senate unanimously passed a bill on April 18 to enhance border security. Among its provisions are requirements for enhanced information sharing by law enforcement and intelligence agencies with the Immigration and Naturalization Service and the State Department, an increase in the number of INS investigators and inspectors, tighter control of visas, a requirement that vessels and aircraft coming into or departing from the United States provide passenger and crew lists to immigration authorities, and new monitoring requirements for foreign students, including that schools must notify the INS, if a foreign student fails to enroll.

## **'Steel Legacy' Legislation Introduced in Congress**

On April 17, U.S Senator Jay Rockefeller (D-WV) introduced into Congress S.2189, "The Steel Industry Consolidation and Retiree Benefits Protection Act of 2002," designed to protect the health benefits of steel industry retirees. The legislation is an attempt to mitigate the effect that the ongoing collapse of the steel industry has had on steelworker retirees' health-care benefits, benefits which cannot be paid by bankrupt or near-bankrupt steel companies.

On March 31, all company-provided pensions and health insurance were terminated for employees of liquidated LTV Steel, affecting 80,000 retirees and dependents. While some of the pension benefits were picked up by an existing Federal program, workers' health insurance was wiped out.

The United Steelworkers of America (USWA) played a strong role in crafting the present legislation, which establishes a trust funded in part by revenues from tariffs on steel imports, and USWA president Leo Gerard has promised a mobilization of USWA members and retirees on its behalf. In late February, the union mobilized 30,000 members, retirees, and supporters to rally at the White House to support tariffs on steel—subsequently adopted by the Bush Administration, in a break with recent years' disastrous U.S. "free-trade" policy.

On April 25, the *Wall Street Journal* ran a front-page article painting a rosy picture of the vigorous steel industry of the future, minus these health and other benefits. According to the *Journal*, a "quiet but profound" transformation of the steel industry is underway, weakening worker wages and benefits.

ISG (previously LTV) has reopened without the burden of retiree legacy costs and is negotiating a new contract with the USWA which will introduce elements of the non-union "mini-mill" model, with wages tied to productivity and 401K plans substituted for retirement and health benefits. Bethlehem is working to establish a joint venture with CSN of Brazil—another case where the new owner will not assume legacy obligations. The *Journal* summarizes approvingly, "If these strategies succeed the companies may well survive, ... but their retirees are likely to face the same fate as if the companies went out of business: the loss of most benefits."

## **IBERO-AMERICAN NEWS DIGEST**

### ***EIR* Editor Briefs Inter-American Defense Group on Wall Street's Narco-Terrorists**

On April 26, *EIR*'s Ibero-America editor Dennis Small gave an hour-long presentation at the Inter-American Defense College at Ft. Lesley McNair in Washington, D.C., to a group of 60 Ibero-American military officers and civilians enrolled there. The U.S. Defense Department has always tried to keep the Ibero-American military in D.C. on a tight leash, but as one attendee put it, "Lots of people come to talk to us, but no one ever has any answers ... and today we got solutions."

Small's presentation, centered on Lyndon LaRouche's analysis of the world economic-financial crisis, and LaRouche's proposal for a New Bretton Woods, was entitled "The Global Financial Crisis and its Effect on Continental Security."

To sum up the state of the international financial system, Small began by showing a slide of the "Grasso Abrazo," wherein New York Stock Exchange president Richard Grasso appears locked in an embrace with a leader of the FARC narcoterrorist group, at the group's camp in Colombia.

He then developed three themes: 1) the global breakdown crisis, the derivatives bubble, the fraud of the Ibero-American debt, the role of the drug trade, and the role of George Soros; 2) the effect of this on continental security, covering the utopian faction of Zbigniew Brzezinski, Samuel Huntington, et al., who are out to destroy the nation-state; the significance in that of the 9/11 coup attempt, still ongoing, against the Bush Administration by the utopians; and the plot against Ibero-American militaries and nations; and 3) the historical precedent of the American System of Political Economy, elaborating on Alexander Hamilton's protectionist/dirigist economic philosophy, and tracing it up to the present day, including LaRouche's New Bretton Woods and Eurasian Land-Bridge proposals.

### ***Brazilian Global21 Promotes LaRouche Solution to Argentine Collapse***

In the wake of further economic and political breakdown in Argentina, Brazil's *Global21* online magazine reached a record number of "hits," in re-publishing its March interview with *EIR*'s Rio de Janeiro correspondent Lorenzo Carrasco, who explained the economic outlook of Lyndon LaRouche. *Global 21*, which is informally linked to the Foreign Trade Ministry, reported extensively in the introduction that LaRouche is continuing the legacy of the American System of

Political Economy, as exemplified by Alexander Hamilton, Friedrich List, Henry Carey, Abraham Lincoln, and FDR.

Carrasco's hard-hitting interview warned that there is no "Argentina" crisis, but a systemic crisis that threatens Brazil too, unless the G-8 nations, and others, such as China, Russia, and Brazil, come together to create a new monetary system, as proposed by Lyndon LaRouche.

Brazil must use its tremendous industrial and agricultural potential to lead the nations of the Southern Cone into this new monetary system, said Carrasco. He warned that Argentina's leaders don't understand that the nature of the crisis they face is *civilizational*. The fallacy of Argentina's "model," is that it "abandoned the republican principle of the Common Good, of the General Welfare.... Argentina urgently requires reestablishment of this principle of the Common Good ... placing the legitimate interests and aspirations of the large majority of its people above the interests of a financial system which, is technically bankrupt—with or without Argentina." Brazil is not immune to crisis, he warned.

### **Uproar in Mexico Over Creation of U.S. Northern Command**

Questions are being raised in Mexico, because the new U.S. military command's designated area of responsibility is "North America"—i.e., including Mexico and Canada. Given the proliferating proposals for Mexico and Canada to be placed under a common U.S. "security bubble," and Vicente Fox's government's determined commitment to going beyond NAFTA to a "North American Community," members of Mexico's Congress and others are hitting the roof. Though not yet noted by Mexican officials, even in the U.S., the creation of a military command over U.S. citizens is considered unconstitutional.

The uproar in Mexico is such that U.S. Ambassador Jeffrey Davidow published an article in *El Universal* which argued strenuously that, as the headline stated, the "U.S. Does Not Seek Subordination of the Mexican Armed Forces." Mexico's Defense Secretary issued a statement affirming that the creation of the U.S. command implies no operational or doctrinal commitment on the part of Mexico, nor the creation of any combined forces. Interior Secretary Santiago Creel stated that the U.S. Army is not authorized to enter Mexican territory, even in cases of emergency, nor does it affect "our territory and organization of defense. Here we decide ourselves."

Defense Secretary Gen. Ricardo Clemente Vega Garcia said no Mexican troops are going to be sent on missions outside of Mexico, "much less under the command of a commander who is not Mexican."

The Mexican Congress is furious that, once again, they learned of something—in this case, the new command—from the media and the U.S. Ambassador, not from the Mexican Executive. PRI Senators Silvia Hernandez and Manuel Bartlett noted that it is because of such behavior, that the Senate recently refused to permit President Vicente Fox to travel to the U.S. and Canada. One of the reasons specifically cited by the PRI Senate faction for that decision, was the Mexican government's negotiations with the the U.S. on creating a unified military command of North America.

### **New Attacks on Seineldin Appear in the Brazilian Press**

In his column in the World Wildlife Fund-run *O Globo* April 24, Ancelmo Goes libelled Brazilian supporters of Argentine Col. Mohamed Ali Seineldin as "extreme right," implying a comparison with the Le Pen upsurge in France. "Not only is it in France that the extreme right is stirring," he wrote, complaining that a group of retired Brazilian military officers went to Argentina to appeal to President Duhalde to free Seineldin. "What the Brazilians called 'acts of patriotism' ... were really two attempted rebellions against Raul Alfonsin, in 1988, and Carlos Menem, in 1990," he wrote.

One day earlier, Mario Augusto Jakobskind, who distinguished himself last week by slandering Lyndon LaRouche as

having been involved in the Venezuelan coup (citing a Cuban intelligence-linked, ETA-FARC stringer as his "credible" source), published an attack in *Tribuna da Imprensa* along similiar lines to that in *O Globo*. Seineldin, and an "obscure movement with ramifications in Brazil," including retired officers, represent a "Le Pen" phenomenon, Jakobskind raved. Seineldin, "like his sympathizers, also uses an anti-imperialist rhetoric, despite not hiding the hatred which they nurse toward the left. Like Le Pen, the followers of Seineldin could trick the incautious," he wrote.

The truth is exactly the opposite to what these columnists write—the LaRouche solutions defending sovereign nation-states on the basis of the principle of "the general welfare," are the only way to prevent panicky populations from being manipulated by Le Pen-type fascist movements.

### **Four 'Chavista' Military Loyalists Killed in Plane Crash**

Four generals in Venezuela's post-coup Air Force command died in a helicopter crash late April 19. Bad weather and mechanical failures are being blamed, but suspicions of foul play are widespread, nor have they been quieted by explanations given by Armed Forces Chief Gen. Lucas Rincon, a loyalist to ousted-then-resinstalled President Hugo Chavez.

Two other helicopters carrying members of the Army and National Guard High Commands were also reportedly forced to land by the "bad weather," but they did so without injury. All were returning from the ceremony installing the new Navy chief. Among the nine Air Force officers killed in the crash were Gen. Luis Alfonso Acevedo, newly named Air Force Commander, and three other members of the restructured Air Force Command appointed by Hugo Chavez following his return to power: Generals Pedro Torres, Julio Ochoa, and Rafael Quintana.

A team headed by an Air Force colonel has been set up to investigate the crash, while Gen. Rincon insisted April 20 that not enough is yet known to make a determination of what happened, but he believes bad weather was at fault. Rincon did not calm the suspicions of foul play, especially since on April 19 he had denied that any military helicopter had crashed, even as the television was reporting the crash. Then, in the press conference given by Defense Minister Jose Vicente Rangel, one of the Air Force officers accompanying him slipped at one point, and spoke of "the downing" of the helicopter, rather than "the accident."

One retired Navy officer told the *New York Times* that whatever the cause, it may not be so easy for Chavez to find more Chavista loyalists to fill the dead men's posts. For his part, Chavez cancelled his participation in the April 19 Independence Day celebrations, citing his work load, and "security considerations."

## **MIDEAST NEWS DIGEST**

### **Israel Fighting To Block UN Fact-Finding into Jenin Massacre**

On April 20, United Nations Secretary-General Kofi Annan named members of the UN-sponsored Fact-Finding team to investigate alleged war crimes in the Jenin refugee camp in the West Bank. First, former Israeli Prime Minister Benjamin Netanyahu rejected the probe, and then hours later the Sharon government said "nyet" to the entire investigation, even though the Israelis had initially "approved" it, saying they had "nothing to hide."

As of Sunday, April 28, the UN Security Council continued heated debate, as the Sharon government continued to block the UN commission and some rescue agencies that are trying to reach the wounded and bring out the dead.

From the outset, the Sharon government rejected every top UN official who had ever criticized Israeli military actions and

closure of the Palestinian territories, including Terje Roed-Larsen, UN Special Coordinator for the Middle East; Mary Robinson, the UN High Commissioner for Human Rights; and Peter Hansen, the Commissioner of the UN Relief and Works Agency (UNRWA) for Palestinian Refugees.

On April 25, Kofi Annan met Israeli officials to try to work out a settlement of the stalemate. Israel's Ambassador to the UN, Yehudi Lancry, specified that Israel wants military and counter-terrorism experts added to the mission, and not just as advisors. He also said that the mission's mandate must be changed so it also investigates the "terrorist network which has flourished in Jenin and which generated the Israeli military operation."

The President of the UN Security Council, Russian Ambassador Sergei Lavrov, reiterated April 23 that the members of the Council expect the "expeditious implementation" of the resolution calling for the Fact-Finding Mission. Even the British Foreign Office weighed in on the side of action, with Junior Minister Ben Bradshaw warning that Israel is doing itself irreparable damage in the eyes of the international community by failing to cooperate. "If Israel has nothing to hide, they have absolutely no reason not to allow this team to go ahead," he said.

### **Peres Demands Immunity from War Crimes Charges**

On April 25, Israeli Foreign Minister Shimon Peres reversed himself on permission for a UN Fact-Finding Commission to visit Jenin on April 25, even after UN Secretary General Kofi Annan had altered the composition of the Commission as requested by Israel.

The real reason for the delay is that Israeli officials are dictating beforehand that *no* Israeli soldier be brought before the international court, or be charged with war crimes in any venue. Peres told Israeli radio that: "We want assurances that the testimony of Israelis cannot be used against them ... [and] that the mission include an anti-terrorism expert and that this mission will draw no conclusions."

Also on April 25, it was revealed that Israel's international legal advisor, Daniel Behlehem, a British international law expert and barrister, wrote a memo warning that the mission could uncover war crimes which would have a dramatic and adverse effect on Israel's position in the Israeli-Palestinian conflict.

The memo stated:

"I am dismayed that the political level could have agreed to such a procedure without first consulting its officials/advisors and having a clear sense of how the process will unfold.... Unlike the Mitchell inquiry, this exercise is not focussed on finding a pathway back to negotiations. It is an exercise inquiring into allegations of war crimes. Given the nature of the allegations against Israel, this inquiry is much more serious and poses much greater risk for Israel than the Mitchell inquiry.

"For all practical purposes, Israel is faced with a war crimes investigation" the seriousness of which "should not be minimized," Bethlehem continued, adding that: "If the committee's findings uphold allegations against Israel—even on poor reasoning—this will fundamentally alter the dynamics of the Israeli-Palestinian leadership and may make it impossible for Israel to resist calls for an international force, the immediate establishment of a Palestinian state and the prosecution of individuals said to have committed the alleged acts."

### **President Mubarak: Israel Waging State-Sponsored Terrorism**

On April 24, Egyptian President Hosni Mubarak went on national television in Egypt to deliver a powerful attack on Israel for conducting state terrorism against the Palestinians. But he promised that Egypt would continue to pursue peace options



with Israel, and moderation. In a televised address commemorating the 20th anniversary of the full return of Sinai to Egypt, following the Camp David agreements of 1979, he said:

"Israel has prevented aid agencies and media from entering towns, villages and refugee camps in order to conceal the brutal crimes the Israeli Army committed," adding that Israel committed "barbaric aggression."

"Israel uses arguments equating legitimate Palestinian resistance with occupation and terrorism ... to avoid its ugly Israeli practices being depicted as state terrorism." Mubarak warned that the attack on the refugee camp at Jenin, and the refusal of Israel to allow international UN investigators to get to the bottom of the actions, "will only deepen the feelings of hatred, resentment, and the desire for revenge among not only the Palestinian people, but some 300 million Arabs."

### **Pope John Paul II Condemns Siege of Church of the Nativity**

On April 21, Pope John Paul II, lamenting that the Church of the Nativity has been the site of "clashes, blackmail and insupportable exchanges of accusations," urged Israel and the Palestinians to have the courage to make peace.

The Pope's comments, to thousands of the faithful and visitors to St. Peter's Square, came as Israeli forces claimed be withdrawing from the West Bank, but continued their siege of the Church of the Nativity. "For nearly 20 days, the Basilica and the attached buildings have been the theater of clashes, blackmail, and insupportable exchanges of accusations," he said. He prayed for the two sides to have the courage for peace, and the international community the persistence of solidarity, and that the Holy Land "finally becomes a sacred land and a land of peace."

### **Sharon Plans To Annex Half the West Bank**

The existence of the Sharon plan to annex half of the West Bank was first reported by Transport Minister Ephraim Sneh, a member of the Labor Party, who said: "As far as I know, the strategy is to annex 50% of the West Bank and this is incompatible with a two-state solution."

In an interview on Sunday, April 21 on NBC's "Meet the Press," Israeli Foreign Minister Peres was asked about reports of the Sharon plan, and he answered, "It's accurate for awhile, because that's what Sharon suggests as an interim agreement." Peres said the Sharon camp knows that this is not a solution, and that it is an "unofficial proposal."

### **Bernard Lewis Exposes Himself by Branding Arafat a 'Terrorist'**

Dr. Bernard Lewis, the chameleon-like Orientalist, showed his claws in an April 17 interview on the Charlie Rose show, where he branded President Yassir Arafat a "terrorist," even as reports mount that Israeli Prime Minister Ariel Sharon is preparing to assassinate the Palestinian leader. Lewis, who actually invented the "Clash of Civilizations" drive against Islam before Harvard professor and Trilateral Commission member Samuel Huntington took credit for the term, is often mistaken for a "balanced" Middle East academic because of his knowledge of Arabic and of the history of Islam. He is anything *but* balanced, especially given his little-known family tie, through son Michael Lewis, who serves AIPAC (American Israel Public Affairs Committee) as a special operations officer.

Sounding like a P.R. man for Sharon and his generals, former British military intelligence officer Lewis, now a professor emeritus of Princeton University renounced his own previous support for Oslo, and said:

"Now the crucial point, I think was the offer made by then-Prime Minister Barak to Arafat.... Some people will tell you that this was an extremely generous offer, that he was offering more than any Israeli leader had ever before offered, even

including compromises on Jerusalem.... Arafat was perfectly entitled to reject the offer.... But in that case, the appropriate course would be to make a counter-offer, to make a counter-proposal, not break off negotiations and launch an armed insurrection ... one is irresistibly driven to the conclusion that he didn't want peace and that the reason he rejected Barak's offer was there was a serious danger that peace might break out.

"Arafat is a terrorist. He had been all his life a terrorist. This was the only thing in which he really excelled. And remember, this is the man of the Munich Olympics, the Achille Lauro, the embassy murders in Khartoum, and various other things—the hijackings. And this is what he knew very well and at which he was very good. He was a pioneer in this new art of terrorism in the age of television. And the Irish and the Basques and others are his disciples.

"Now the question is, was this a step towards getting a peace process ... or ... was it a step towards the ultimate objective of the destruction of Israel? ... The terrorist activities, as far as we know, are almost entirely planned, or at the very least, approved by him. I mean, the stuff that has come to light now in captured documents and so on indicate a quite elaborately organized infrastructure of terrorism and Arafat is the head of it.... Asking Arafat to give up terrorism would be like asking Tiger Woods to give up golf.... And if the peace succeeds he would become the tin pot dictator of a mini-state. His dream of establishing a Palestinian state is genuine ... [but,] in the ultimate program there is no room for Israel....

"The business of the suicide bombers, I think, was what really turned me.... The Palestinian Authority is not an open democracy. It is a tightly controlled authoritarian state like most of the other states in the region and I don't think anything happens without Arafat's approval.... I would agree with Sharon on this particular point, that Arafat is not and is never likely to be a peace partner. And that Arafat should be—dealing with Arafat should be seen as part of the war against terrorism.... For Arafat and his people, peace is a tactic; war is a strategy...."

An extensive profile of Lewis and his role in turning the Sept. 11 irregular warfare attack into a means for an Anglo-American war against the Arab world appeared in *EIR* magazine.

### **'Christian Zionists' Blackmail Bush To Withdraw Support for Palestinian State**

The "Christian Zionists" (a.k.a. "Fundies"), in league with the neo-conservatives and the hard-core right-wing Zionist Lobby, have been on an all-out drive, to capture President Bush for their insane war plan, and drive Secretary of State Colin Powell out of the government altogether. Their objective is to force Bush to give Sharon the green light for his Hitlerian massacres.

On April 11, the day Colin Powell arrived in Jerusalem, Gary Bauer, the Rev. Jerry Falwell, the Rev. John Hagee, Marlin Maddoux, Ed McAteer and the Rev. Tim Timmons—all leading Darbyite Zionists—issued a letter to President Bush, assailing him for sending Powell on a peace mission, warning, "We believe the Bush Doctrine is in great jeopardy and the war on terrorism with it. We believe it is imperative for the United States to stand with our friend and ally Israel as they attempt to defeat the same forces of terrorism that we have been battling since Sept. 11, 2001. We would ask you to end pressure on Israeli Prime Minister Ariel Sharon so that he has the time necessary to complete the mission he has undertaken—the elimination of terrorist cells and infrastructure from the West Bank territories.... Secretary Powell's current peace-making trip is sending a dangerous message."

The Bauer-organized "Fundie" letter appears to have been part of a campaign, first launched in February of this year, with a \$200,000 war chest put together, for a series of ads attacking Arafat and demanding that Bush put Arafat and the PA/PLO on the foreign terrorist organizations list. The Zionist Organization of America (ZOA) and the Religious Roundtable co-sponsored the initiative, which included an ad on the Karine A, signed by Gary Bauer, calling Arafat and the PA "the Nazis of the modern era."

## **Prince El Hassan of Jordan Praises Jewish Philosopher Moses Mendelssohn**

EIW has received two speeches from Prince El Hassan bin Talal, who was the keynote speaker at an April 7 Plenary Session of the Trilateral Commission entitled, "Islamic World and the Trilateral Countries in the Era of Globalization." In his keynote speech by that title, the uncle of the current King of Jordan said:

"Moses Mendelssohn, the German Jewish philosopher, developed a philosophy of inter-faith tolerance based on the existence of a common denominator of all religions. He considered that they all share a universal religion of reason, each with its own traditional version of the revelation—be it through the book of Moses, the Gospel or the Qur'an."

In a second speech Prince Hassan debunked former Trilateral Commission Executive Director Zbigniew Brzezinski's "Arc of Crisis" theory, saying: "Plagued by a score of raging and potential disputes, and with a broad range of causes of conflict, the region does not even have a mechanism of conflict avoidance.... Water and energy are likely to top the list of conflict causes."

In contrast to Prince Hassan's statecraft, another Trilateral panelist was Bernard Lewis, cited above.

## **Sharon, a.k.a. 'The Slippery One,' Stuck in Funding Scandal**

On April 21, Israeli Prime Minister Ariel Sharon was questioned for seven hours by the Israeli National Fraud Squad regarding allegations of illegal financing of his 1999 election campaign in the Likud primaries. The investigation has been going on for several months, but this was the first time that the police questioned Sharon himself, reported the Israeli newspaper *Ha'aretz*.

It may be significant that the other suspect in the case is Uri Shani, who just resigned as Sharon's bureau chief. Another suspect is his lawyer, Dov Wiesglass, who just replaced Shani as Sharon's bureau chief.

Under questioning, usually reliable sources report that Sharon denied doing any fundraising or being involved in the financial affairs of the campaign. He told investigators, "I didn't know, ask my son Omri." (Apparently, he is prepared to sacrifice his son.) However, the police showed him checks he had signed from his own bank account. He again blamed his son, claiming that Omri must have just put them in front of him to sign.

Omri refuses to cooperate with the police. But, the police have evidence, including audio and videotapes, in which one of those involved in the case recorded A Omri, former Sharon bureau head Uri Shani, attorney Dov Weisglass, and Sharon himself. One of those involved handed material that refers to the route used to bring the money from overseas to Israel and even mention the names of some of the fictitious companies used for the purpose.

Apparently because of his lying, the police have given Sharon a new nickname: "The Slippery One."

## **Even Sharon's Hamas Denounces Children Becoming Martyrs**

The Palestinian Authority issued a blistering statement against those who train or use children as terrorists against Israel. The statement followed the incident on Wednesday, April 24, when three Gaza 14-year-old youths, armed with a home-made pipe bomb, an axe, and a knife, tried to infiltrate a heavily fortified Israeli settlement nearby, and were shot dead by Israeli soldiers. The Palestinian Authority issued a statement condemning the use of children in this way. The boys, all reported to have been excellent students in school, had left letters for their parents indicating that they expected to be martyrs.

The PA said, "We disapprove killing Israeli civilians and we denounce such acts, because many Jews are demonstrating for our cause and against the Israeli practices." Sending boys to be slaughtered "is an unforgiveable mistake and even a crime, it is a crime against our children, our future and our ethical codes, and we must question those behind it and try them.

"[T]hose who prepare them for the operations are criminals that have betrayed and disgraced the Palestinian society ... that has proudly presented true heroism to the whole world." The statement declared that the proper Palestinian image was presented to the world during the heroic resistance in Jenin, Nablus, and other towns, villages, and refugee camps, and that the "stupidity" of sending children to their deaths, has diminished the Palestinian image.

Obviously feeling the pressure, both Hamas and Islamic Jihad, which support suicide terrorism, issued statements criticizing any use of children as martyrs; Hamas's statement called on teachers and religious leaders to spread the message of restraint among young boys, and it urged youngsters to "remember that their lives are precious and should not be sacrificed."

### **Gulf State Leaders Say 'No' to America's War on Baghdad**

As the German *Frankfurter Allgemeine* daily reported in two articles on April 25, American preparations for military strikes against Baghdad are running into problems, as not only Saudi Arabia, but also the Emirates that the U.S. planned as alternate military bases, say "no."

Most visible is the opposition in Oman, the Defense Minister of which categorically denied Western press reports that the Americans have been given additional stationing rights. He said that the new air base under construction in the Musanaa region is reserved for the Oman air force only. And the Americans have no rights other than those related to stops for aircraft on their way to Afghanistan. Oman is not intending to allow any bases for foreign troops on its territory, and this includes even the British troops, which are regularly conducting big exercises in Oman, traditionally.

Others in the region also oppose U.S. plans against Iraq: Bahrain and Masquat have issued statements to this effect, and on April 16, Abdurrahman Al-Atiya, Secretary General of the Gulf Cooperation Council, declared that the organization's member states have the common view that "any strike on Iraq would only add to the suffering of the Iraqi people, and will threaten security and stability in the region." The GCC comprises Saudi Arabia, the United Arab Emirates, Kuwait, Oman, Qatar, Bahrain.

### **CFR President: 'We Must Not Allow a Clash of Civilizations'**

Deep fissures within the Anglo-American establishment over the "Clash of Civilizations," were again revealed at a Council on Foreign Relations event one April 22, called "U.S.-Saudi Energy and Economic Relations in Global Perspective."

A reporter from EIW had raised the question to moderator and CFR president Leslie Gelb, as to what was to be done to stop the now dominant "Clash of Civilizations" gang, as epitomized by "the Wolfowitz cabal." Shortly thereafter Gelb said: The morning panel discussion had reminded him of a story about U.S. movie director Woody Allen, who had described a man who came to a fork in the road. Down one direction led economic destruction and genocide. Down the other way, was nuclear war and destruction of the planet. "You must choose wisely," was Woody Allen's quip. Gelb concluded: "September 11 let some terrible forces loose. We must not allow a 'Clash of Civilizations.' We must not allow war against one billion people, just because they are Muslims."

### **WESTERN EUROPEAN NEWS DIGEST**

## **French Earthquake: Rightwing Extremist Le Pen Advances to Final Round in Presidential Vote**

In the first round of the French Presidential elections on April 21, an earthquake hit the country, as French commentators put it.

French President Jacques Chirac and French Prime Minister Lionel Jospin were supposedly the front-runners; they were supposed to make it through the first round of voting (in which well over a dozen other candidates were running), to face off in the second and final round on May 5.

Instead, Jospin, a Socialist, was knocked out of the box by rightwing extremist Jean-Marie Le Pen, whose particular brand of anti-immigrant, racist poison has been on the French political market for more than 20 years, but never, until now, in the center of the stage.

Ultimately, President Chirac won about 20% of the vote, and Le Pen about 17.08%. Prime Minister Jospin got only around 16.04%.

Le Pen drew votes from rather disparate sources. According to Jim Hoagland, writing in the *Washington Post* April 23, Le Pen's "neo-fascist vocabulary and the notoriety he gained in dismissing the Holocaust as a 'detail' of history," have often meant that "he is seen outside France as a typical anti-Semite." But this time around—in an environment where, in the context of the Israeli invasion of Palestinian territories, anti-Semitic incidents have been on the rise in France, with synagogues burned, cemeteries desecrated, and Jews assaulted on the street—Le Pen apparently sought Jewish as well as non-Jewish votes when he pledged to crack down on areas with high crime and large populations of unemployed youths of African and Arab Muslim background.

Among factors contributing to Le Pen's victory over Jospin, was said to be the rate of voter abstentions: 28%, the highest in the history of France's Fifth Republic.

That rate was coupled with some other interesting statistics. Of those who did vote, at least one-third voted for extreme or freak candidates (and that's not counting the Le Pen voters).

The combination of voter frustration and cynicism which fuelled this apathy or craziness, can be charged to Chirac and Jospin, the kinds of campaigns they ran, and the outrageous exclusion from the Presidential ballot of well-known French political figure Jacques Cheminade, who ran for President six years ago and who, in putting forward Lyndon LaRouche's New Bretton Woods and Eurasian Land-Bridge programs, offered the only serious solutions to the real issues of the election, the economic and the global strategic crises.

In a circumstance where Cheminade was banned from the ballot, and where the two "front-runners" ran vacuous P.R. campaigns, it is not astonishing that many people, afraid of rising crime rates and terrified of the fast-growing instability in the world, voted in a number of insane ways.

The vote is also part of a phenomenon common to all the Western countries: the erosion of established political structures, the fragmentation, in a way unseen since the end of World War II, of the political parties and their influence on political and social life.

## **'Dialogue Of Cultures' Festival in Duesseldorf**



On April 20, the Schiller Institute [link to Schiller Institute website] and the German-Iranian theatre forum held a joint event in Duesseldorf: "Living Dialogue Instead of War of Cultures—A Festival of Persian and German Poetry." Some 130 people came to participate in a symposium and discussion, and a cultural evening presented by the Dichterpfleuzchen, the sort of apprentice poets, or reciters, associated with the Schiller Institute, from Duesseldorf and Wiesbaden, and a small theatre group, led by Iradj Zohari.

The symposium began with a presentation by Schiller Institute founder and BueSo candidate Helga Zepp LaRouche on "Unity in the Manifold: The Culture of the Silk Road." She immediately went into the middle of the battlefield, so to speak, by taking on Samuel Huntington's concept of a coming clash of civilizations, and his thesis that there cannot be an understanding among different religions. This she contrasted to a very condensed synopsis of Cusa's concept of unity in manifold, and his *De Pace Fidei* ("On the Peace of Faith") dialogue. Even though the political circumstances today are different, the preconditions are the same as after the fall of Constantinople, when Cusa wrote the famous dialogue.

Mrs. Zepp LaRouche then added the fundamental concept, that renaissance periods in mankind's history have influenced each other, and helped each other to come to bloom. She discussed the historical role of Persia, in particular. In the end, she read four small poems by Saadi, which was a delight for the audience.

Other speakers included: Mrs. Vida Bahrami, from the German-Iranian theatre forum, on "the poet Muhammad Schams-ad-Din Hafis," in Persian; Dr. Assemi, publisher of a German-Persian magazine, *Kaweh*, who began by reciting the opening verses of Friederich Schiller's "Die Glocke" ("The Bell"), in German; Ahmed Rahimi-Nawardamouz, also from the German-Iranian theatre forum; and *EIR* editorial board member Muriel Mirak-Weissbach, on "World Poetry: Translation a Means for Understanding Among Peoples."

In the lively panel discussion, the actual crisis of the danger of global war based on the "clash of civilizations" after Sept. 11 was addressed.

### **Kissinger Again Sought for Questioning in London**

"Kissinger begins to stoop under the weight of legal scrutiny," reads the headline of the April 25 London *Independent* report on Sir Henry's visit to the United Kingdom, which starts with the observation: "He looked older than he did when he was arguably the most powerful man in the world, and there was more of a shuffle in his gait than a swagger. But the most striking thing about Henry Kissinger yesterday was the way he has begun to stoop, as if there were a great weight on his shoulders."

Apparently, the fact that Sir Henry is under the constant threat of being interrogated or even arrested for what he did in his "incarnation" in the U.S. government, in respect to Chile, Vietnam, and Cambodia, and hence not able to move about unrestricted, is having an effect.

While the earlier request by Spanish Judge Garzon to the British government, to interrogate Kissinger on his role in the dirty dealings of Chile's Pinochet regime, had been already been rejected, Kissinger was greeted on arrival with another motion by "human rights campaigner" Peter Tatchell, to have Kissinger arrested under the Geneva Convention (this, of course, was rejected by the British courts, too). Nevertheless, the *Times* reports: "A mock trial of Dr. Kissinger was held outside the convention to coincide with his speech [at the Institute of Directors annual convention]. The 200 or so protesters accused him of prolonging the war in Vietnam, and of promoting carpet bombing in Cambodia."

Kissinger was again in London to spread the doctrine of U.S.-led imperial wars "against terrorism." With no originality, and no evidence, he beat the drums for attacks on Iraq to oust Saddam Hussein.



## RUSSIA AND EASTERN EUROPE NEWS DIGEST

### LaRouche Interviewed in Russian Military Paper

*Krasnaya Zvezda* (*Red Star*), the official daily of the Russian Defense Ministry, featured an interview with Lyndon LaRouche in its April 20 issue. Headlined "The Crash of Immoral Economics," it was an abridgement of economist Andrei Kobyakov's interview with LaRouche, from last October's inaugural issue of the journal *Russky Predprinimatel* (*Russian Entrepreneur*).

*Red Star's* selections highlighted a question on what must be done "to avoid a general catastrophe," to which LaRouche replied: "The only solution is to put the entire international financial and monetary system into bankruptcy-reorganization: to simply eradicate most of the mass of accumulated financial debt of the world, and resume building the real economy under a new system with many of the leading features of the 1945-1963, gold-reserve-based international monetary and financial system. If that reform is not made, then a planetary new dark age is inevitable for the medium-term ahead." (The original interview appeared in [\*EIR\*](#) of [Nov. 9, 2001](#).)

Excerpting from Kobyakov's introductory article, *Red Star* added a new lead: "Clinton, the Bush family, Gore, Kissinger, Brzezinski, Albright—these members of the American political elite are well known. At the same time, several gifted figures in the U.S. Establishment, who have dared to swim against the current, remain in the shadows. One of them is Lyndon LaRouche." The paper added that LaRouche had run for U.S. President several times, stressing that this requires substantial popular support.

Other questions and answers, used in *Red Star*, concerned the true nature of liberal economics; the conflict between Russia's Christian heritage, and liberalism; the causes of the financial crisis; what has happened to America's role as a superpower; and what is the special role of Russia today. Thus, readers of the Russian military daily heard LaRouche discuss the history of the Venetian oligarchial model in which "liberalism" is rooted, and the worldwide cultural collapse since the death of Franklin Delano Roosevelt.

—Jonathan Tennenbaum and Rachel Douglas

### U.S.-Russian Disarmament Talks Ended Early

No agreement was reached in U.S.-Russian disarmament talks, and U.S. Under Secretary of State John Bolton, one of the Wolfowitz cabal's operatives, left Moscow early on April 24, even though talks had been expected to continue through the day. The U.S. embassy gave no reason for his departure, insisting he had "not precipitately cut short talks in any way." They did acknowledge that talks were at a "sensitive" stage. Russian Deputy Foreign Minister Valery Loshchinin commented that talks were "not proceeding very easily," and "several fundamentally important problems still need to be overcome." A Foreign Ministry statement merely said that the talks "were a constructive and meaningful exchange of opinions aimed at resolving the remaining disagreements." It is believed that the sticking point continues to be the Pentagon's plan to stockpile the nuclear warheads they are decommissioning, rather than destroying them.

Further indicating the talks are going badly in the context of global tensions, such as the new U.S. nuclear posture document, Russian Deputy Foreign Minister Georgi Mamedov, who has been negotiating with Bolton, said on ORT-TV that, "Contrary to the statements of certain experts, we are not expecting to sign any comprehensive agreement in May," meaning at the Bush-Putin summit. Mamedov emphasized that the agreement under negotiation is just a supplement to START, covering procedures for arms limitation.

Deputy Secretary of State Richard Armitage, another Wolfowitz skunk, arrived in Moscow on April 26 for talks on the global anti-terror campaign.

## **Authors of GKO Pyramid Scheme Elevated to Top Jobs in Russian Central Bank**

Andrei Kozlov and Oleg Vyugin, co-authors of the GKO (government bond) pyramid, which played a key role in triggering Russia's 1998 financial crisis, were appointed first deputy chairmen of the Central Bank on April 24. In 1997-98, Vyugin served as Deputy Finance Minister, while Kozlov was the first deputy of then-Central Bank Chairman Sergey Dubinin. The appointments passed the State Duma, despite objections from left opposition members, who tried to remind their colleagues of the role Kozlov and Vyugin played in 1998. These two have been chosen by incoming Central Bank chief Sergei Ignatyev, as his deputies.

Interviewed by RTR-TV, Oleg Vyugin expressed his commitment to "further liberalization of the currency market." Asked about the reportedly planned elimination of mandatory conversion to rubles of oil export earnings received in dollars, Vyugin carelessly declared that the further policy will depend on this policy's first results: "In case we see that the liberalization measures increase capital flight, we'll correct our policy."

In his turn, Finance Minister Aleksei Kudrin confirmed the intention of the government to pull out from ownership of such major state-owned banks as Vneshtorgbank, Vnesheconombank, and the half-privatized (Nuclear Ministry's) Konversbank.

## **Asia News Digest**

### **Philippines Opposition Warns of U.S.-Philippines Quagmire**

Philippines Senator Edgardo Angara, leader of the main opposition party, Laban, on April 25 bluntly warned the United States against engaging in combat with local Muslim insurgents, saying this could unleash an Islamic backlash and lead to the breakup of his country.

"...When policymakers 10,000 miles away in Washington see some casualties among their people and when the fight is clothed in anti-terrorist trappings, who knows, even the Washington policymakers may be entrapped.... We will pay a high price if we entrap and engulf the Americans into fighting our insurgency war. The whole Arab world will go against us. Our own Muslims will become even more fanatical and I think we will ultimately lose Mindanao," he said, adding such a breakup would happen because the separatists would win sympathy from neighboring Indonesia and Malaysia where, "If they see that their own brothers in Mindanao are now the target of joint Philippines and American operations, that would set off a big backlash among Muslims in the region."

The U.S. currently has deployed approximately 3,700 troops to the Philippines for alleged anti-terrorist actions, with rules of engagement that threaten to bring about direct U.S. involvement with local guerrillas.

### **The Koreas Are Moving Ahead on Economic Ties**

According to the April 22 *Korea Times*, North and South Korea are making progress in their effort to reconnect the South-North Railway by October 2002. On April 21, South Korea agreed to send advanced de-mining equipment to help North Korea clear the DMZ. "We could take our equipment to work inside the North Korean zone," Unification Minister Jeong Se-hyun told reporters. "We are pushing for the reconnection of the railway by October."

Jeong revealed Seoul was acting in response to a personal request by North Korean Chairman Kim Jong-il. The Northern Kim called for Seoul's assistance in working inside the DMZ in his meeting with Seoul Presidential envoy Lim Dong-won on April 4, to demonstrate that he really wishes to "reconnect the Seoul-Shinuiju railway quickly," said South Korean officials. "We don't have de-mining equipment. Could the South help us with that part?" the North Korean leader asked.

"Now, positive forecasts from top officials of the two Koreas have raised hopes for an era of inter-Korean transportation," the *Korea Times* says happily. "The opening up of an inter-Korean railway would mean that land transportation would be possible all the way to Europe. A cargo of one 20 foot equivalent units (TEU) takes 26 days and \$2,100 to travel from Seoul to Belarus by ship, but needs only 16 days and \$1,300 with rail." Defense officials are slated to work out the details on May 7 in Seoul.

In this context, it is not surprising that the South Korean government, according to the April 11 *Korea Times*, has asked the United States to, in the words of a South Korean Foreign Affairs Ministry spokesman, "stop defaming the North Korean regime ahead of the visit to the North by Jack Pritchard, U.S. ambassador for negotiations with North Korea."

### **Indonesian Foreign Minister Takes on U.S. Support for Israel**

Long-time Indonesian Foreign Minister Ali Alatas, according to the *Jakarta Post* of April 18, ripped into U.S. Ambassador Ralph Boyce for the United States' inability to control Israel.

After sitting through Boyce's speech at a meeting sponsored by the Financial Club of Jakarta and the Indonesian Council of World Affairs, in which Boyce complained that foreign investors are impatiently waiting for "considerable progress" in Indonesia's internal legal and financial sector reforms to bring it into line with the war on terrorism, Alatas told Boyce that, apart from being indignant, Indonesia was bewildered by the U.S. actions. Alatas demanded: What's the secret that such a small country as Israel that is so dependent on the U.S., remains in defiance of the "almighty President of the U.S.A and the almighty UN Security Council," and still gets away with "the killings"?

The *Jakarta Post* reports that "Boyce did not answer this question directly, but explained later that there was an ongoing crisis in the U.S.-Israel relationship, which was still playing itself out." Boyce said, "It's a real challenge for the U.S. today, as the lone remaining superpower. You are constantly called upon to either defend yourself against not doing enough because of your responsibility and role, or to defend yourself against the charge that you are doing too much, too fast, intervening."

### **Malaysia's Dr. Mahathir Tells Qaddafi How His Nation Weathered the 1997 Financial Storm**

According to a story in the *Malaysia Star* on April 21, Datuk Seri Dr. Mahathir Mohamad had at least three unscheduled meetings with Libya's President Muammar Gaddafi, at Gaddafi's request, during his recent two-day visit to Libya, in which he explained how he had led Malaysia's economic development, how Malaysia weathered the 1997 financial crisis, and why he is travelling to the U.S. to meet with President George W. Bush in May. Members of Gaddafi's entourage described the Libyan visit as unprecedented.

Dr. Mahathir told reporters that Gaddafi "especially wanted to know what we did to reject the powerful financial bodies in the world during our crisis.... He grilled me until 12:30 a.m. on our country. Gaddafi was very interested to know how we formulate our foreign policies.... I have met so many government leaders who face economic problems, but no one had asked me how we manage our economy," Dr. Mahathir said. Asked his personal impression of Gaddafi, Dr. Mahathir said he was a friendly but "angry man," because of what had happened during the Italian colonial period.

Dr. Mahathir told Gaddafi, regarding his May visit to the White House, that it is "good for us to go to the U.S. because we want to know what is the country's stand. And maybe we can develop [ties] after that."

On the crisis in the Middle East, the two leaders strongly condemned the aggression and atrocities committed by the Israeli Army, and called for immediate action by the international community to stop the carnage in Palestine. Both countries called on the international community to act immediately to force Israel to abide by all United Nations resolutions on the establishment of an independent state of Palestine.

### **Mahathir: If Sharon Is a Man of Peace, So Are Suicide Bombers**

That's what Malaysian Prime Minister Datuk Seri Dr. Mahathir bin Mohamad told a press conference at the Kuala Lumpur airport, upon his return April 22 from a trip to Morocco, Libya, and Bahrain, according to the *New Straits Times*. He said that the crisis in the Middle East was a major subject because of anger over U.S. support for Sharon's actions in Jenin, where "we do not know how many Palestinians have been killed..." He compared Jenin to the atrocities committed by the Nazis.

### **The Japanese Flag Once Again Being Burned Across Asia**

Japanese Prime Minister Junichiro Koizumi has once again stuck his finger into the collective eye of his country's Asian neighbors, while denying he "meant it," in "casually" visiting the Yasukuni war shrine the week of April 15. As a result, crowds across Asia are again burning the Japanese flag and pictures or effigies of Koizumi, laying waste to regional cooperation prospects. "I think they can understand that we are going to put effort into developing friendly relations with both China and South Korea," Koizumi said April 22, as demonstrations spread.

But there was no sign that Seoul or Beijing is prepared to see the visit to the shrine in that light. South Korean Foreign Minister Choi Sung-Hong summoned Japanese Ambassador Terusuke Terada to lodge a formal protest. "We are dismayed as this controversial visit happened a month or so before the two countries host the World Cup finals together," he said, after an "uneasy" meeting. Chung Mong-Joon, co-chairman of the Korean World Cup Organising Committee (KOWOC), said Koizumi's latest gesture had destroyed efforts to bring the two countries together. Protesters held an anti-Japanese rally in central Seoul denouncing Koizumi's visit to the shrine, and burning the Japanese flag; when riot police put out the fire, the demonstrators ripped up the large "rising sun" flag with their hands and teeth.

China on April 21 also summoned the Japanese envoy to Beijing to protest Koizumi's visit, and in Hong Kong trade-union groups staged a demonstration. Dozen of Hong Kong labor unions, shouting slogans denouncing Japanese wartime atrocities in China, marched to the Japanese consulate to deliver a letter of protest and demand an apology from the Japanese government for its wartime brutality.

Koizumi won backing from right-wing Japanese newspapers for his visit. "Koizumi did the right thing," said the daily *Yomiuri*. The paper said the surprise visit months ahead of the anniversary of Japan's World War II surrender on Aug. 15 "reflected his desire to worship at the shrine without stirring up controversy."

### **Ex-King Zahir Shah's Return Brings Afghan Refugees Home**

Since the return of the former Afghan King Zahir Shah on April 18, Afghan refugees from Pakistan and Iran have been pouring back into the country. In the first few days, 5,000 refugees have moved back. There are another 195,000 Afghan refugees in Pakistan and Iran, according to an UN estimate. Arrangements are afoot to repatriate around 125,000 refugees in May, said a representative of the UN High Commission for Refugees (UNHCR).

According to available reports, those who are coming back in droves belong to the eastern provinces of Kunar and Nangarhar. Most, if not all, are Pushtuns, the tribe of Zahir Shah.

Meanwhile, British Royal Marines spokesman Lt. Col. Paul Harradine told the Pakistani daily *The Dawn* in London April 22 that British Intelligence has learned of a "threat against the King." "They [the assassins] could pose as media to get close enough to him to do it," Harradine said. Harradine did not pinpoint who the potential assassins are, but said there exist "many factions" that would like to kill Zahir Shah. As a result of this "intelligence," security has been further tightened around Zahir Shah, which means that the Afghans are most likely outside the security cordons, and only the Western troops are in the inner cordons.

A report on April 20 suggests that the French troops patrolling the Kabul airport were shot at. It is not clear who the miscreants were, but the Kabul regime of Hamid Karzai quickly "identified" this as an act by those who want to eliminate Zahir Shah.

### **Afghanistan: Reconstruction Money Slow, Drugs Flourish**

UN Undersecretary-General for Political Affairs Kieran Prendergast, in an April 25 update to the UN Security Council, said that while the short-term and immediate needs of the Afghan people and their governing Interim Authority are being met, longer-term development projects are moving at a dangerously slow pace.

Prendergast said the reconstruction funds pledged last January at Tokyo have been "extremely slow to arrive." The interim government approved some \$1.1 billion worth of pledges for reconstruction support in February. But a tour in mid-April revealed that only \$160 million worth of initial reconstruction work has started. Most of the new reconstruction projects are starting only within a 50-kilometer perimeter of Kabul, mainly because of security threats outside of the capital region.

Julia Taft, Assistant Administrator and Director of the United Nations Development Program (UNDP), pointed out that the greater than expected influx of refugees from Pakistan and a shortfall in pledges to the UN's World Food Program could cause trouble in weeks before the Loya Jirga (grand council of elders), due to take place in Kabul from June 10 to June 16.

Meanwhile, the Afghan government's attempt to stem the poppy trade is falling pitifully short, with the government having announced destruction of about 5,000 acres of poppy, out of an estimated 160,000 under cultivation.

### **Opponent of Musharraf's Referendum Put Under House Arrest**

Jamaat-e-Islami chief Qazi Hussain Ahmad was put under house arrest in Pakistan by President Pervez Musharraf's regime on April 21. The Jamaat chief was detained just as a long march had begun from Lahore to Rawalpindi, in opposition to Musharraf's referendum on extending his Presidential term. Protest rallies along the route have been scheduled to go ahead.

Jamaat, the largest of the orthodox Islamic religious political parties in Pakistan, has condemned the April 30 referendum, sought by Musharraf to extend his Presidency by another five years, as unconstitutional. Qazi pointed out that the Constitution demands the election of President by the national and provincial assembly members only. General Musharraf says that the Constitution also allows election of President through direct referendum, because the Constitution allows settling matters of national importance through public referendums.

For all practical purposes, the referendum is a farce. While pro-referendum rallies can be held, anti-referendum rallies are banned. There is no electoral roll, which translates to the fact that anyone can vote any number of times. Instead of holding such an elaborate farce, some Pakistani commentators have suggested two methods: Those who vote "no" will be counted



as negatives, and the rest will be considered in favor of the referendum, whether they go out to vote or stay home. The second method goes back to the 9th-century Umayyad dynasty days, when the Caliph's men would go to every home and ask: "Are you for the bayt [ruler], or do you want to be beheaded?"

But Jamaat's intransigence is of some importance: Musharraf is counting on religious communities to show a good number of votes in favor of the extension of his Presidency. Jamaat is close to the military and to Saudi Arabia.

## **U.S. Forces Now Operating Inside Pakistan?**

According to the *New York Times* of April 25, after weeks of denials, Pakistani senior officials have admitted that American advisers (read: special ops forces) are going to accompany Pakistani troops into tribal areas bordering Afghanistan. The news report claims that the agreement between the Americans and the Pakistanis was struck after the seizure of documents and computer disks from a house inhabited by Abu Zubaydah, a senior al-Qaeda leader arrested on March 27 in the Pakistani city of Faisalabad. U.S. officials have also denied that the U.S. military is operating in Pakistan.

Reports by Reuters also indicate that the U.S. and other allied forces are experiencing gunfire from al-Qaeda members in the rugged slopes of the Hindu Kush range that separates Afghanistan from Pakistan. U.S. army spokesman Major Bryan Hilferty told Reuters that springtime in Afghanistan, when the snows melt on high mountain passes, would bring increased militant activity, but the country so far, "generally speaking," has been pretty quiet.

## **AFRICA NEWS DIGEST**

### **Zimbabwe Allies Defeat British-Sponsored EU Resolution for UN Human Rights Probe**

A British-sponsored European Union resolution calling for an investigation into human rights violations in Zimbabwe was thrown out before debate by a UN human rights forum in Geneva April 19. According to the April 20 edition of Harare-based newspaper the *Herald*, the Nigerian delegation rallied support from 14 African, Asian, and Middle Eastern countries to thwart the EU's call for a UN investigation at the 58th Session of the UN Commission on Human Rights. Voting in favor of Zimbabwe were Algeria, Bahrain, Burundi, Libya, Malaysia, Nigeria, Pakistan, Russian Federation, Saudi Arabia, Sierra Leone, Sudan, Swaziland, Togo, Uganda, Vietnam, South Africa, Kenya, the Democratic Republic of Congo, Senegal, Zambia, Cuba, Thailand, India, Indonesia, China, and Syria.

When the issue was introduced by the EU, debate temporarily stopped as commissioners and delegates decided on the way forward. Nigeria then introduced a "no-action motion," arguing that the EU's move was politically motivated, as it had failed to take into account the root causes of Zimbabwe's human rights problems. Nigeria argued that any debate on human rights which failed to take into account the issue of land and land redistribution—the dominant theme in Zimbabwean politics today—was not only completely out of context, but counterproductive.

A week later, according to the April 27 issue of the *Herald*, Zambian President and current African Union chairman Levy Mwanawasa, visiting in Zimbabwe, declared that the West can't teach what they don't know.

"We have nothing to learn from them," Mwanawasa insisted. "We taught them democracy. We were denied our right to liberate ourselves; therefore we fought. We understand democracy more than them." The Zambian President was giving a joint press conference with President Mugabe. Mwanawasa said that contrary to media reports, Zimbabwe is a peaceful country, demonized by the West.

### **EU Increases Pressure on South African Leaders on Zimbabwe Issue**



According to the April 18 *Financial Gazette*, the European Union is ratcheting up the pressure on Southern African leaders who have rallied behind Zimbabwe's President, Robert Mugabe. The EU is sending a team that will tell the leaders to act on Mugabe, or risk losing vital economic and development aid. Sources at the EU's Brussels headquarters said April 17 that EU leaders were angry because regional leaders such as South Africa's Thabo Mbeki had not only endorsed the legitimacy of Mugabe's reelection, they had also criticized the EU's position, which insists that Zimbabwe must uphold democracy and the rule of law. "The focus is no longer just on Zimbabwe," a senior EU official told the *Financial Gazette* by telephone from Brussels. "The team will seek clarification from southern African leaders if we [EU] and them still have the same understanding of the EU/ACP agreement. Another important point the team will seek to establish from regional leaders will be whether NEPAD will work if they are going to allow such things as what happened in Zimbabwe." (NEPAD is the New Economic Partnership for Africa's Development.)

The EU arm-twisting mission is expected in the region in three weeks.

### **Kenyan Government: IMF's Structural Adjustment Programs Not for Africa**

"The Kenyan government termed as unrealistic structural adjustment programs imposed on African countries by the World Bank and IMF," reports the *East African Standard*, based in Nairobi. "Labor Minister Joseph Ngutu said SAPs have grounded 15 African economies, and brought about retrenchment of young workers, besides killing employment due to collapse of private companies. "The IMF and World Bank policies appear to show no sensitivity to the peculiar underdeveloped nature of the diverse economies and as a result, the prescriptions [given] have had the effect of threatening their very survival,' he said."

Notes the *Standard*: The minister's statement is a protest by the government against the IMF/WB policies which have not been backed by sound financial assistance to Kenya during the past 20 years. Ngutu's speech was delivered during an international labor conference in Nairobi, held under the auspices of Public Service International (PSI) and drawing participation from trade-union representatives from the African continent and the Arab world.

Ngutu said that Kenya had taken bold moves to implement all programs imposed by the IMF/WB, despite protest from critics and key stakeholders. "The economy was liberalized as price controls were removed, the trade regime liberalized, the financial sector reformed, stringent monetary and fiscal policies pursued and the mechanisms for privatization of state enterprises put into place," he said. He said the policies, however, were good only in ideal situations, and had had disastrous consequences for Kenya's economy.

## **Bringing the Invisible to the Surface**

**by Bruce Director**

When Carl Friedrich Gauss, writing to his former classmate Wolfgang Bolyai in 1798, criticized the state of contemporary mathematics for its "shallowness", he was speaking literally - and, not only about his time, but also of ours. Then, as now, it had become popular for the academics to ignore, and even ridicule, any effort to search for universal physical principles, restricting the province of scientific inquiry to the, seemingly more practical task, of describing only what's on the surface. Ironically, as Gauss demonstrated in his 1799 doctoral dissertation on the fundamental theorem of algebra, what's on the

surface, is revealed only if one knows, what's underneath.

Gauss' method was an ancient one, made famous in Plato's metaphor of the cave, and given new potency by Johannes Kepler's application of Nicholas of Cusa's method of *On Learned Ignorance*. For them, the task of the scientist was to bring into view, the underlying physical principles, that could not be viewed directly-the unseen that guided the seen.

Take the illustrative case of Pierre de Fermat's discovery of the principle, that refracted light follows the path of least time, instead of the path of least distance followed by reflected light. The principle of least-distance, is a principle that lies on the surface, and can be demonstrated in the visible domain. On the other hand, the principle of least-time, exists "behind", so to speak, the visible, brought into view, only in the mind. On further reflection, it is clear, that the principle of least-time, was there all along, controlling, invisibly, the principle of least-distance. In Plato's terms of reference, the principle of least-time is of a "*higher power*", than the principle of least-distance.

Fermat's discovery is a useful reference point for grasping Gauss' concept of the complex domain. As Gauss himself stated, unequivocally, this is not Leonard Euler's formal, superficial concept of "impossible" numbers (a fact ignored by virtually all of today's mathematical "experts"). Rather, Gauss' concept of the complex domain, like Fermat's principle of least-time, brings to the surface, a principle that was there all along, but hidden from view.

As Gauss emphasized in his jubilee re-working of his 1799 dissertation, the concept of the complex domain is a "higher domain", independent of all a priori concepts of space. Yet, it is a domain, "in which one cannot move without the use of language borrowed from spatial images."

The issue for Gauss, as for Gottfried Leibniz, was to find a general principle, that characterized what had become known as "algebraic" magnitudes. These magnitudes, associated initially, with the extension of lines, squares, and cubes, all fell under Plato's concept of "*dunamais*", or "*powers*".

Leibniz had shown, that while the domain of all "algebraic" magnitudes consisted of a succession of higher powers, the entire algebraic domain, was itself dominated by a domain of a still higher power, that Leibniz called, "*transcendental*". The relationship of the lower domain of algebraic magnitudes, to the higher non-algebraic domain of transcendental magnitudes, is reflected in, what Jacob Bernoulli discovered about the equiangular spiral. ([See Figure 1.](#))

Leibniz and Johann Bernoulli (Jakob's brother) subsequently demonstrated that his higher, transcendental domain, exists not as a purely geometric principle, but originates from the physical action of a hanging chain, whose geometric shape Christaan Huygens called a catenary. ([See Figure 2.](#)) Thus, the physical universe itself demonstrates, that the "algebraic" magnitudes associated with extension, are not *generated* by extension. Rather, the algebraic magnitudes are generated from a physical principle that exists, beyond simple extension, in the higher, transcendental, domain.

Gauss, in his proofs of the fundamental theorem of algebra, showed that even though this transcendental physical principle was outside the visible domain, it nevertheless cast a shadow that could be made visible in what Gauss called the complex domain.

As indicated in "[Gauss' Declaration of Independence](#)," the discovery of a general principle for "algebraic" magnitudes was found, by looking through the "hole" represented by the square roots of negative numbers, which could appear as solutions to algebraic equations, but lacked any apparent physical meaning. For example, in the algebraic equation  $x^2 = 4$ , "x" signifies the side of a square whose area is 4, while, in the equation  $x^2 = -4$ , the "x" signifies the side of a square whose area is -4, an apparent impossibility. For the first case, it is simple to see, that a line whose length is 2 would be the side of the square whose area is 4. However, from the standpoint of the algebraic equation, a line whose length is -2, also produces

the desired square.

At first glance, a line whose length is  $-2$  seems as impossible as a square whose area is  $-4$ . Yet, if you draw a square of area 2, you will see that there are two diagonals, both of which have the power to produce a new square whose area is 4. These two magnitudes are distinguished from one another only by their direction, so one is denoted as 2 and the other as  $-2$ .

Now extend this investigation to the cube. In the algebraic equation  $x^3=8$ , there appears to be only one number, 2 which satisfies the equation, and this number signifies the length of the edge of a cube whose volume is 8. This appears to be the only solution to this equation since

$$-2 \times -2 \times -2 = -8.$$

The anomaly that there are two solutions, which appeared for the case of a quadratic equation, seems to disappear, in the case of the cube, for which there appears to be only one solution.

Not so fast. Look at another geometrical problem, that, when stated in algebraic terms, poses the same paradox—the trisection of an arbitrary angle. Like the doubling of the cube, Greek geometers could not find a means for equally trisecting an arbitrary angle, from the principle of circular action itself. The several methods discovered, (by Archimedes, Erathosthenes, and others), to find a general principle of trisecting an angle, were similar to those found, by Plato's collaborators, for doubling the cube. That is, this magnitude could not be constructed using only a circle and a straight line, but it required the use of extended circular action, such as conical action.

But, trisecting an arbitrary angle presents another type of paradox which is not so evident in the problem of doubling the cube. To illustrate this, make the following experiment:

Draw a circle. For ease of illustration, mark off an angle of 60 degrees. It is clear that an angle of 20 degrees will trisect this angle equally. Now add one circular rotation to the 60 degree angle, making an angle of 420 degrees. It appears these two angles are essentially the same. But, when 420 is divided by 3 we get an angle of 140 degrees. Add another 360 degree rotation and we get to the angle of 780 degrees, which appears to be exactly the same as the angles of 60 and 420 degrees. Yet, when we divide 780 degrees by 3 we get 260 degrees. Keep this up, and you will see that the same pattern is repeated over and over again. ([See Figure 3.](#))

Looked at from the domain of sense certainty, the angle of 60 degrees can be trisected by only one angle, that is, an angle of 20 degrees. Yet, when looked at beyond sense certainty, there are clearly three angles that "solve" the problem.

This illustrates another "hole" in the algebraic determination of magnitude. In the case of quadratic equations, there seems to be two solutions to each problem. In some cases, such as  $x^2=4$ , those solutions seem to have a visible existence. While for the case,  $x^2=-4$ , there are two solutions,  $2\sqrt{-1}$  and  $-2\sqrt{-1}$ , both of which seem to be "imaginary", having no physical meaning. In the case of cubic equations, sometimes there are three visible solutions, such as in the case of trisecting an angle. Yet, in the case of doubling the cube, there appears to be only one visible solution, but two "imaginary" solutions, specifically:  $-1 - \sqrt{3}\sqrt{-1}$ ,  $-1 + \sqrt{3}\sqrt{-1}$ . Biquadratic equations, (for example  $x^4=16$ ), that seem to have no visible meaning themselves, have four solutions, two "real" (2 and -2) and two "imaginary" ( $2\sqrt{-1}$  and  $-2\sqrt{-1}$ ). Things get even more confused for algebraic magnitudes of still higher powers. This anomaly poses the question that Gauss resolved in his proof of what he called the fundamental theorem of algebra; that is: how many solutions are there for any algebraic equation?

The "shallow" minded mathematicians of Gauss' day, such as Euler, Lagrange, and D'Alembert, took the superficial approach of asserting that any algebraic equation has as many solutions as it has powers, even if those solutions were

"impossible", such as the square roots of negative numbers. (This sophist's argument is analogous to saying there is a difference between man and beast, but, this difference is meaningless.)

Gauss, in his 1799 dissertation, polemically exposed this fraud for the sophistry it was. "If someone would say a rectilinear equilateral right triangle is impossible, there will be nobody to deny that. But, if he intended to consider such an impossible triangle as a new species of triangles and to apply to it other qualities of triangles, would anyone refrain from laughing? That would be playing with words, or rather, misusing them."

For, Gauss, no magnitude could be admitted, unless its principle of generation was demonstrated. For magnitudes associated with the square roots of negative numbers, that principle was the complex physical action of rotation combined with extension. Magnitudes generated by this complex action, Gauss called "complex numbers" in which each complex number denoted a quantity of combined rotational and extended action. The unit of action in Gauss' complex domain is a circle, which is one rotation with an extension of unit length. The number 1 signifies one complete rotation,  $-1$  one half a rotation,  $\sqrt{-1}$  one fourth a rotation, and  $-\sqrt{-1}$  three fourths a rotation. ([See Figure 4.](#))

These "shadows of shadows", as he called them, were only a visible reflection of a still higher type of action, that was independent of all visible concepts of space. These higher forms of action, although invisible, could nevertheless be brought into view as a projection onto a surface.

Gauss' approach is consistent with that employed by the circles of Plato's Academy, as indicated by their use of the term "*epiphaneia*" for surface, which comes from the same root as the word, "*epiphany*". The concept indicated by the word "*epiphaneia*" is, "that on which something is brought into view".

From this standpoint, Gauss demonstrated, in his 1799 dissertation, that the fundamental principle of generation of any algebraic equation, of no matter what power, could be brought into view, "*epiphanied*", so to speak, as a surface in the complex domain. These surfaces were visible representations, not, as in the cases of lines, squares and cubes, of what the powers produced, but of the *principle* that produced the powers.

To construct these surfaces, Gauss went outside the simple visible representation of powers, such as squares and cubes, by seeking a more general form of powers, as exhibited in the equiangular spiral. ([See Figure 5.](#)) Here, the generation of a power, corresponds to the extension produced by an angular change. For example, the generation of square powers, corresponds to the extension that results from a doubling of the angle of rotation around the spiral; and the generation of cubed powers corresponds to the extension that results from tripling the angle of rotation. Thus, it is the *principle of squaring* that produces square magnitudes, and the *principle of cubing* that produces cubics.

For example, in [Figure 6](#), the complex number  $z$  is "squared" when the angle of rotation is doubled from  $x$  to  $2x$  and the length squared from  $A$  to  $A^2$ . In doing this, the smaller circle maps twice onto the larger "squared" circle.

In [Figure 7](#), the same principle is illustrated with respect to cubing. Here the angle  $x$  is tripled to  $3x$ , and the length  $A$  is cubed to  $A^3$ . In this case, the smaller circle maps three times onto the larger, "cubed" circle.

And so on for the higher powers. The fourth power maps the smaller circle four times onto the larger. The fifth power, five times, and so forth.

This gives a general principle that determines all algebraic powers, as, from this standpoint, all powers are reflected by the same action. The only thing that changes with each power, is the number of times that action occurs. Thus, each power is distinguished from the others, not by a particular magnitude, but by a topological characteristic.

In his doctoral dissertation, Gauss used this principle to generate surfaces that expressed the essential characteristic of powers in an even more fundamental way. Each rotation and extension, produced a characteristic right triangle. The vertical leg of that triangle is called the *sine* and the horizontal leg of that triangle is called the *cosine*. (See [Figure 8](#).) There is a cyclical relationship between the sine and cosine which is a function of the angle of rotation. When the angle is 0, the sine is 0 and the cosine is 1. When the angle is 90 degrees the sine is 1 and the cosine is 0. Looking at this relationship for an entire rotation, the sine goes from 0 to 1 to 0 to -1 to 0, while the cosine goes from 1 to 0 to -1 to 0 and back to 1. (See [Figure 9](#))

In [Figure 9](#), as  $z$  moves from 0 to 90 degrees, the sine of the angle varies from 0 to 1, but at the same time, the angle for  $z^2$  goes from 0 to 180 degrees, and the sine of  $z^2$  varies from 0 to 1 and back to 0. Then as  $z$  moves from 90 degrees to 180 degrees, the sine varies from 1 back to 0, but the angle for  $z^2$  has moved from 180 degrees to 360 degrees, and its sine has varied from 0 to -1 to 0. Thus, in one half rotation for  $z$ , the sine of  $z^2$  has varied from 0 to 1 to 0 to -1 to 0.

In his doctoral dissertation, Gauss represented this complex of actions as a surface. (See [Figures 10, 11, 12](#).) Each point on the surface is determined so that its height above the flat plane, is equal to the distance from the center, times the sine of the angle of rotation, as that angle is increased by the effect of the power. In other words, the power of any point in the flat plane, is represented by the height of the surface above that point. Thus, as the numbers on the flat surface move outward from the center, the surface grows higher according to the power. At the same time, as the numbers rotate around the center, the sine will pass from positive to negative. Since the numbers on the surface are the powers of the numbers on the flat plane, the number of times the sine will change from positive to negative, depends on how much the power changes the angle (double for square powers, triple for cubics, etc.). Therefore, each surface will have as many "humps" as the equation has dimensions. Consequently, a quadratic equation will have two "humps" up and two "humps" down ([Figure 10](#)). A cubic equation will have three "humps" up and three "humps" down. ([Figure 11](#)). A fourth degree equation four "humps" in each direction, ([Figure 12](#).) and so on.

Gauss specified the construction of two surfaces for each algebraic equation, one based on the variations of the sine and the other based on the variations of the cosine. (See [Figure 13](#).) Each of these surfaces will define definite curves where the surfaces intersect the flat plane. The number of curves will depend on the number of "humps" which in turn depend on the highest power. Since each of these surfaces will be rotated 90 degrees to each other, these curves will intersect each other, and the number of intersections, will correspond to the number of powers. (See [Figure 14](#).) If the flat plane is considered to be 0, these intersections will correspond to the solutions, or "roots" of the equation. Thus, proving that an algebraic equation has as many roots as its highest power.

Step back and look at this work. These surfaces were produced, not from visible squares or cubes, but from the general principle of squaring, cubing, and higher powers. They represent, metaphorically, a principle that manifests itself physically, but cannot be seen. By projecting this principle, the general form of Plato's powers, onto these complex surfaces, Gauss has brought the invisible into view, and made intelligible, something that is incomprehensible in the superficial world of algebraic formalism .

The effort to make intelligible the implications of the complex domain was a focus for Gauss throughout his life. Writing to his friend Hansen on December 11, 1825, Gauss said: "These investigations lead deeply into many others, I would even say, into the Metaphysics of the theory of space, and it is only with great difficulty can I tear myself away from the results that spring from it, as, for example, the true metaphysics of negative and complex numbers. The true sense of the square root of -1 stands before my mind fully alive, but it becomes very difficult to put it in words; I am always only able to give a vague image that floats in the air."



It is here, that Riemann begins.

*by Bruce Director*

## This Week in History

### April 29, 1803-May 5, 1803

In this column, we look back to certain events in United States history, from the standpoint of arousing the memory of the American people to the historical principles which we followed at our best. Our focus on the Franklin Roosevelt years speaks to the fact that this was the last period of perceived crisis in our nation's history, in which the principles of the American System were applied, and we shall return to that period again over the coming weeks. Last week's column on the Warsaw Ghetto Uprising, represented a special exception, particularly appropriate because of the recent crimes by the Sharon government in Israel.

This week we go back further in the history of the United States, to commemorate an event which indeed shaped the prospects of our nation. That is the Louisiana Purchase, the huge land deal between France and the United States, which was signed on April 30, 1803. The purchase of this vast expanse, more than 800,000 square miles, put the young nation well on its way to becoming the continental republic which the republican founding fathers dreamed of its becoming.

As *EIR* has previously documented, founders such as John Winthrop, Alexander Hamilton, and John Quincy Adams, and their collaborators, were committed from the nation's beginning, to the creation of a republic "from sea to shining sea."\* This was a matter of moral commitment, and security, for those who had come to these shores. In 1629, Massachusetts Bay Colony Governor Winthrop issued a call for developing the North American continent for the benefit of mankind:

"The whole earth is the Lord's garden & he hath given it to the sons of men, with a general condition, Gen: 1.28. Increase and multiply, replenish the earth and subdue it, which was again renewed to Noah. The end is double, moral and natural, that man might enjoy the fruits of the earth and God might have his due glory from the creature. Why then should we stand here striving for places of habitation ... and in the meantime suffer a whole Continent, as fruitful and convenient for the use of man, to lie waste without any improvement."

Once the American colonies had been forced into a revolutionary war against Great Britain in order to be able to pursue this goal, the imperative for continent-wide expansion became increasingly a military matter. The new nation was surrounded from the south, west, and north by hostile, and warring, powers: Spain to the south and west; France to the north and west; and Great Britain to the north, and by sea. By simply leaving circumstances status quo, the young United States could be virtually certain of moves by these imperial powers against its own territorial integrity, and survival.

John Quincy Adams, the statesman of the early 19th century who did the most to craft our foreign policy on the basis of the republican concept of the Community of Principle, had a very good idea of what would happen if the United States were not expanded continentally. He put it this way in a letter to his mother in 1811, in which he laid out the stakes if the Federalist Party of New England, then pushing secession, were not defeated:

"Instead of a nation coextensive with the North American continent, destined by God and nature to be the most populous and most powerful people ever combined under one social compact, we shall have an endless multitude of little



insignificant clans and tribes at eternal war with one another for a rock, or a fish pond, the sport and fable of European masters and oppressors."

It was the threat represented by wars among the Europe powers that actually permitted President Thomas Jefferson to purchase the Louisiana Territories. France's Napoleon Bonaparte had taken over the huge territories from Spain in 1800, and Spain, which still controlled New Orleans, cut off the United States from shipping rights in the port. At the same time, Napoleon planned major military operations on the continent, but had to take into consideration his prospects against the British on the European continent.

Jefferson moved accordingly to offer to purchase the Territories, using emissaries James Monroe and Robert Livingston. The deal doubled the official territory of the United States, at a cost of about \$11 million. There was a catch, however; could the United States hold on to the land? Napoleon, it seems, was betting it couldn't.

But Jefferson's first battle was a fight for support in the Congress. Here he encountered implacable opposition from the Federalist Party, which was at that point virtually controlled by the Tory faction. But, joining the President were the principled nationalists Alexander Hamilton, John Adams, Rufus King, and John Quincy Adams himself, then a Federalist Senator in the process of breaking with the traitors running his party. The funding for the purchase, and arrangements for governing the huge territories, were eventually passed. When followed up by John Quincy Adams' actions as Secretary of State under President Monroe, the United States was well on its way to becoming the continental republic which John Winthrop had envisioned.

—*Nancy Spannaus*

\*For more material on the content and history of the United States' fight to become a continental republic, see [\*EIR\*, Jan. 28, 2000, Vol. 27, No. 4.](#)

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