

develop a foolproof missile defense shield does not exist. On the other hand, the surprising Indian response promptly drew a visit to New Delhi by U.S. Deputy Secretary of State Richard Armitage. This worried both Beijing and Moscow.

Within a few days, Russian Defense Minister Ivanov came to Delhi to meet Indian Prime Minister Atal Behari Vajpayee and Jaswant Singh. Within a day following Ivanov's arrival, India began to shift its stated position on Bush's missile defense proposal. At a joint conference in Delhi, Jaswant Singh admitted that a unilateral abrogation of the ABM Treaty is unacceptable, and therefore, Washington must work with Moscow to formulate the abrogation process.

Subsequently, Jaswant Singh went to Moscow to attend the inter-governmental meeting of the MTC. There, too, he agreed to the Russian viewpoint on missile defense, and said, "If this treaty is unilaterally abrogated, abridged, or adjusted, this will lead to greater uncertainty instead of promoting a new and more cooperative security framework." This is exactly the formulation Moscow wanted, and by accepting Moscow's formulation, New Delhi made it clear that Russian strategic interests are deeply intertwined with those of India.

Moscow, in return, has assured India that it will present all relevant facts and figures which will conclusively prove that the missile defense system, as proposed by President Bush, would jeopardize world security greatly. Meanwhile, India has asked Russia to prepare a feasibility study for the air defense system over India.

## Germany Heading for Political Turbulence

by Rainer Apel

A year ago, when Germans were preparing for the Summer holiday season, the economic and social situation of their country was portrayed as generally fine, by the government and the mass media. There were unmistakable crisis symptoms that warned of coming troubles on the German financial market, but the government managed to almost silence critics of its *laissez-faire* policy of inaction. Chancellor Gerhard Schröder overdid it, however, when already at the end of July 2000, he published his rosy "mid-term report," although the first half of his term did not end before the end of October. All of that was designed to calm people down, to let them dwell in illusions as they were going into the holidays.

All of that dreamworld ended abruptly, when in early

September, a strike wave erupted—not in Germany, but in France—against speculative petroleum price increases. Within a week or two, all of Europe, including Germany, was swept by this strike wave, and Schröder's government all of a sudden was looking at big trouble.

What helped the government repair some of the political damage, however, was a trick with the labor market statistics: Introducing a new accounting method, the Federal labor office had begun to also count the newly insured part-time jobs, so that total employment "improved" from 34 million to 38 million. Therefore, the 4 million jobless of late Autumn and Winter 2000 looked less dangerous, if measured against the figure of 38 million, instead of only 34 million. However, this trick will not work again this year, because, meanwhile, people are asking why the jobless rate didn't come down even in the late Spring and Summer. And, there are now daily news headlines that pose the question: "Are we going into a recession?"

The scene is different from that of last year: Now, the news dailies are filled with alarming reports about profit warnings of leading companies, and with forecasts and announcements of new job losses. This year, Germans are going into Summer vacation knowing that by the time they return home, the situation will have turned even worse. With no real jobs being created, reports, such as the one in the German media on June 22 and 23, are telling them that, at minimum, another quarter-million jobs will be axed, including 120,000 in the crafts, 60,000 in construction, and 30,000 in trade and commerce. The jobs that will be axed in the auto-making sector and in transport technologies, because of decreasing sales, were mentioned the following week.

Confronted with this reporting of reality by the media, the Chancellor reacted with embarrassment, complaining—assisted by his cabinet ministers of finance and economics—that the economic situation was being "talked down," that there is no need for any emergency action by the government, that a "policy of the calm hand" is, allegedly, the best way to handle the situation. Faced with forecasts that the jobless figures will definitely be higher than 4 million by late Autumn and Winter, Chancellor Schröder hates being reminded these days, that when he took office in late October 1998, he loudly proclaimed that he would reduce unemployment by 50%. It was at 4 million when he took office, and it is still at 4 million, now—and the government is heading for national elections in 15 months.

The worsening labor market situation also translates into a drastic loss of voter confidence in the capability of this government to handle the crisis. According to the latest poll by the Emnid institute, only 26% of voters now think the governing Social Democrats of Chancellor Schröder can deal with the situation, whereas 44% think the opposition Christian Democrats are more competent. The ratio was 38% versus 28%, respectively, last December.

## Signs of Panic

In an attempt to preempt news headlines on June 26 about an unprecedented wave of new corporate bankruptcies, notably in the construction sector of eastern Germany, Chancellor Schröder announced on June 25 that he was thinking of a special government support program, in the range of 1 billion deutschemarks (roughly \$500 million), for the construction sector in Germany's eastern states, and that he would make it official during his coming Summer tour there. Maybe because he received some calls from the big private banks that this announcement created the impression of a Chancellor becoming panicked, the next day Schröder retracted the plan, emphasizing that this was no conjunctural incentives program, but only one among several options.

Schröder fell back into more propaganda, but the difference from last year, is that the media are no longer supporting him. Hardly had Schröder returned to his "business as usual" talk, than some German wires began reporting about a secret meeting in Brussels a few days before, between EU Commission President Romano Prodi and top managers of several European countries. During that meeting, Prodi came under attack by some managers for not doing enough to prevent a major monetary crisis in the European Union during the

transition, at the beginning of the coming year, from the national EU currencies to the new all-European currency, the euro. Prodi was also accused, as were most of the EU member governments, of downplaying all problems connected to the euro. Prodi admitted to the managers that he did have several surveys on his desk, and that some of them even warned, for example, that 40% of those who held German marks outside Germany, would rather change their marks into dollars, instead of the euro, come January. Prodi said that he shared some experts' concern that of DM 280 billion held in non-German accounts, DM 100 billion would flow into the dollar, and weaken the euro even more.

For the German government, this leak from Brussels was most unwelcome, as it corresponds to widespread fears among the Germans that the transition from mark to euro means trouble. Promptly, the head of the German central bank, Ernst Welteke, rushed to assure the public that there is no need to worry, that people would have enough time to change their marks into euros, early next year, that there was no reason for panic.

All of that was covered broadly by the German media; numerous dailies had this leak-denial exchange on their front pages, and this flurry is probably the last real news that Germans will receive before disappearing abroad for Summer vacations. The next real news about Germany will be on their breakfast tables in about four or six weeks, and it will be worse news. Chancellor Schröder's private wish to have a calm Autumn, may not be fulfilled.

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## Bulgaria Loses Its Elections

by Alexander Hartmann

The June 17 Parliamentary elections in Bulgaria produced a landslide victory for the National Movement Simeon II (NMS), which got close to 43% of the vote nationally, and won 120 of 240 seats in the Parliament. The Union of Democratic Forces (UDF), led by incumbent Prime Minister Ivan Kostov, came in second with about 18%, narrowly ahead of the Socialist Coalition for Bulgaria (CfB), with 17%. The fourth party gaining seats in the Parliament was the ethnic Turk Movement for Rights and Freedom (DPS), with close to 8% and 21 seats. The NMS will now form a coalition government, with the DPS as a likely, and the UDF as a possible, partner. The CfB will stay in opposition.

The NMS was founded on April 6, and is led by "Tsar"